UNITED
NATIONS

A S

General Assembly Security Council

Distr.
GENERAL

A/45/532
S/21809
21 September 1990

ORIGINAL: ENGLISH

GENERAL ASSEMBLY
Forty-fifth session
Agenda items 23, 35 and 75
QUESTION OF PALESTINE
THE SITUATION IN THE MIDDLE EAST
REPORT OF THE SPECIAL COMMITTEE TO
INVESTIGATE ISRAELI PRACTICES
AFFECTING THE HUMAN RIGHTS OF THE
PALESTINIAN PEOPLE AND OTHER ARABS
OF THE OCCUPIED TERRITORIES

SECURITY COUNCIL
Forty-fifth year

Letter dated 21 September 1990 from the Permanent Observer of Palestine to the United Nations addressed to the Secretary-General

I am instructed by the Executive Committee of the Palestine Liberation Organization, which has the powers and responsibilities of the Provisional Government of Palestine, to bring the following to your immediate attention:

For the second consecutive day, Breij refugee Camp/Gaza is still under siege by the Israeli occupying army; curfew has been imposed in the area. It is now clear that the current situation is the result of an apparently planned provocation. Again, Gaza district has witnessed yet another series of brutality at the hands of the Israeli soldiers. To the long list of human rights violations carried out against innocent Palestinian civilians by the occupying Power, Israel, more atrocities are being committed. During the past two days alone, and in the Gaza area, 180 Palestinians were injured, 200 Palestinians in the age group of 12-45 are detained, 50 homes demolished and more than half of the Palestinian inhabitants of Breij refugee camp have been evicted from their homes. Israel has prevented the International Red Cross, UNRWA and the media from entering the area.

This situation should no longer be tolerated by the world community. Israel continues to occupy the Palestinian territory in defiance of all norms of international law, principles of the Charter of the United Nations and relevant resolutions, Israel persists in escalating its aggression and human rights violations against innocent unarmed Palestinian civilians.

best copy available

Palestine calls upon the world community to take immediate action ensuring respect for all relevant Security Council and General Assembly resolutions and the principles of the United Nations Charter, and the provisions of the Fourth Geneva Convention.

The Security Council in particular is called upon to invoke the powers vested in it by the Charter in order to demand that Israel should respect and carry out the decisions of the Security Council.

I should be grateful if you would arrange to have the text of this letter circulated as an official document of the General Assembly, under items 23, 35 and 75, and of the Security Council.

(Signed) Zuhdi Labib TERZI
Permanent Observer of Palestine
to the United Nations

UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/45/533
1 October 1990

ORIGINAL: ENGLISH

Forty-fifth session
Agenda item 77

QUESTIONS RELATING TO INFORMATION

Report of the Secretary-General

I. INTRODUCTION

1. In section II of its resolution 44/50 of 8 December 1989, the General Assembly requested the Secretary-General to report to the Assembly at its forty-fifth session and to the Committee on Information at its twelfth session on the implementation of recommendations in the resolution.

2. The following documents, related to topics covered by the resolution, were submitted to the Committee on Information at its twelfth session, held from 5 April to 2 May 1990:

(a) Activities of the Department of Public Information (A/AC.198/1990/2);

(b) Public information activities of the United Nations against the policies and practices of apartheid (A/AC.198/1990/3);

(c) Public information activities of the United Nations pertaining to the situation in the Middle East and the question of Palestine (A/AC.198/1990/4);

(d) Proposed medium-term plan for the period 1992-1997. Major programme VIII (Public information), Programme 38 (Public information) (A/AC.198/1990/5 and A/45/6, Prog. 38);

(e) Assessment of needs for technical assistance to radio stations that are broadcasting or willing to broadcast to South Africa (A/44/698) and study of existing and potential interest in broadcasting United Nations anti-apartheid radio programmes and the extent to which audiences in selected urban centres in South Africa listen to them (A/45/162).

3. The Under-Secretary-General for Public Information provided additional information in several statements to the Committee on Information.

4. The deliberations of the Committee on Information on those topics and others on its agenda are reflected in its report to the General Assembly. 1/ As in the past, the present paper avoids, as much as possible, repetition of the contents of the reports submitted to the Committee on Information. The present report deals mainly with items not considered by the Committee or updates the information in the reports submitted to the Committee.

5. The present report focuses essentially on special activities and products of the Department. It avoids reference to topics and events covered in regular publications and radio and television programmes such as UN Chronicle, Notes for Speakers, "Perspective", UN in Action and World Chronicle, which disseminate on a continuing basis information on the whole range of issues dealt with by the United Nations.

II. CO-OPERATION WITH THE UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

6. In resolution 44/50, section II, paragraph 1, recommendation 2 (a), the General Assembly requested the Secretary-General to ensure that the Department of Public Information co-operate more regularly with the United Nations Educational, Scientific and Cultural Organization (UNESCO), especially at the working level.

7. As part of its information programme for International Literacy Year (1990), the Department released an educational video and study guide on literacy that highlight the work of UNESCO and the Year. The video and its companion volume are part of the educational series About the United Nations, which is produced in English, French and Spanish.

8. A student leaflet, issued in English, French and Spanish, is among various publications produced by the Department in connection with International Literacy Year. Development Forum continues to report extensively on educational, scientific and cultural issues in general and on UNESCO activities in particular.

9. Complementing UNESCO programmes, the tenth annual training programme for journalists, which runs from 10 September to 18 October 1990, is providing skills training and briefings to young journalists on major issues before the United Nations. As in previous years, trainees from 16 developing countries around the world are assigned activities in the Department and are encouraged to cover the proceedings of the General Assembly for their home media.

10. In response to resolution 44/50, section II, paragraph 1, recommendation 3 (h), on co-operation with educational institutions of Member States, educators and education policy makers, the Department organized at Headquarters, for some 200 educators and organizers of scholastic model United Nations conferences, a one-and-one-half day seminar on ways of introducing United Nations-related issues into the classroom.

III. CO-OPERATION WITH THE POOL OF NON-ALIGNED NEWS AGENCIES

11. In resolution 44/50, section II, paragraph 1, recommendation 2 (b), the Department was requested to enhance its co-operation with news agencies of and in the developing countries, in particular the News Agencies Pool of Non-Aligned Countries, the Eco-Pool of the News Agencies of Non-Aligned Countries and the Broadcasting Organization of Non-Aligned Countries, as well as with other news agencies and intergovernmental and regional organizations.

12. The Department continues to co-operate with the News Agencies Pool of Non-Aligned Countries, by sending news dispatches through TANJUG, at Belgrade, to the more than 90 news agencies members of the Pool. News dispatches are also sent to various agencies of the Pool on subjects of interest to them.

13. Pursuing its efforts to enhance its co-operation with the Movement of Non-Aligned Countries and to strengthen its working relations with news agencies of non-aligned countries, a representative of the Department attended the Third Conference of the Ministers of Information of Non-Aligned Countries, held at Havana, from 24 to 29 September 1990.

IV. ACTIVITIES IN CONNECTION WITH INTERNATIONAL PEACE AND SECURITY

14. The Department was urged, in resolution 44/50, section II, paragraph 1, recommendation 2 (c), to continue to disseminate, in co-ordination with the information services of other relevant agencies, information about United Nations activities pertaining, inter alia, to international peace and security. In recommendation 2 (f), the Department was also requested to continue to disseminate information about activities of the United Nations directed at a comprehensive, just and lasting solution of international conflicts by exclusively peaceful means.

15. To highlight United Nations peace-keeping and peace-making activities in Central America, the Department produced a four-page feature article in UN Focus on the United Nations role in the Central American peace process. The article, issued in English and Spanish, was prepared in close collaboration with the Office of the Personal Representative of the Secretary-General for the Central American peace process. A second article, on the United Nations role in the demobilization of the Nicaraguan resistance, was prepared in consultation with the Office for Special Political Affairs. Also issued in English and Spanish, that article included a number of photographs on the demobilization process. Both articles were widely distributed through the network of United Nations information centres and services and through direct mailings to press, research and educational institutions, particularly in North and Latin America. A supply of copies was also provided to the headquarters of the United Nations Observer Group in Central America (ONUCA) and the United Nations Observer Mission to verify the electoral process in Nicaragua (ONUVEN).

16. To highlight the recent developments pertaining to Cambodia and the ongoing good offices role of the Secretary-General in the negotiating process, the Department published for world-wide distribution an article in the UN Focus series

READEX FICHE

entitled "Towards Peace in Cambodia". The article, issued in English and French, was prepared with the co-operation of the Office of the Special Representative of the Secretary-General for humanitarian affairs in South-East Asia.

17. In accordance with General Assembly resolution 44/49 of 8 December 1989, paragraph 13, an updated version of The Blue Helmets was prepared in close collaboration with the Office for Special Political Affairs. The book presents a summary of the practice of United Nations peace-keeping, taking into account the current international political climate. New sections deal with the five peace-keeping operations begun since the book was last published in 1985. Sections referring to ongoing operations, along with maps and charts, have also been updated. It was issued in September 1990 with a total print of 20,000.

18. The new version of the pamphlet United Nations Peace-Keeping was printed and distributed world wide through United Nations information centres and services and through direct mailings to the media, research and educational institutions and non-governmental organizations. The eight-panel colour pamphlet provides basic information on the United Nations concept of peace-keeping, a complete listing of United Nations peace-keeping operations and details of operations currently in the field. One panel also deals with the awarding of the 1988 Nobel Peace Prize to the United Nations peace-keeping forces. The pamphlet, issued in English with a total print of 60,000, will also be available in French and Spanish.

V. WORLD DISARMAMENT CAMPAIGN

19. In resolution 44/50, section II, paragraph 1, recommendation 2 (c), the Department was further urged to continue to disseminate information about United Nations activities pertaining to disarmament.

20. As part of its information activities in the field of disarmament, the Department of Public Information prepared, in consultation with the Department for Disarmament Affairs, a comprehensive press kit on the occasion of the Fourth Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons, held at Geneva from 20 August to 14 September 1990. That kit, produced in English and French, focused on the background of the Treaty and its main provisions. It was distributed world wide to the media through special mailings and United Nations information centres and services, and was also made available to the journalists attending the Conference.

21. The Department produced several special radio programmes on disarmament, which included "Efforts towards a Complete Ban on Nuclear Weapons Tests", adapted into French and distributed to some 350 radio stations world wide, one Spanish-language programme on "Efforts to Prohibit Underground Nuclear Tests" and two Russian-language programmes entitled "United Nations Disarmament Commission: The Results of the 1990 Session" and "From Partial Tests Ban Treaty to the Comprehensive Nuclear Test Ban".

22. The Department recently signed a contract with a non-governmental organization to co-produce a one-hour documentary on chemical weapons and warfare. Production is expected to start early in 1991.

VI. ACTIVITIES RELATING TO DECOLONIZATION AND THE SITUATION IN NON-SELF-GOVERNING TERRITORIES

23. In recommendation 2 (c), the Department was also requested to continue to disseminate information about United Nations activities pertaining to decolonization and the situation in the Non-Self-Governing Territories.

24. In pursuance of that mandate, the Department developed a comprehensive information programme to publicize the thirtieth anniversary, on 12 October 1990, of the Declaration on the Granting of Independence to Colonial Countries and Peoples. As part of its programme, the Department prepared a booklet profiling the remaining Non-Self-Governing Territories. To be issued under the English title Decolonization: The Task Ahead, the booklet will also be produced in French and Spanish.

25. Another booklet on Teaching about Decolonization, to be issued in English, French and Spanish, was prepared as part of the About the United Nations educational series. An educational video on the issue of decolonization will also be produced in those language versions to complement the teaching guide and to be used in class-rooms for the benefit of students at the secondary-school level.

26. In addition to short items in news and current affairs magazines, the Department produced a special feature radio programme in Arabic on the International Decade for the Eradication of Colonialism.

27. The photo exhibit on decolonization, on display at Headquarters, was updated to reflect the current situation and expectations with regard to the remaining Non-Self-Governing Territories. Appropriate versions of the updated photo exhibit will be dispatched to United Nations information centres and services for world-wide public viewing.

VII. ACTIVITIES IN CONNECTION WITH HUMAN RIGHTS

28. In recommendation 2 (c), the Department of Public Information was further requested to continue to disseminate information about United Nations activities on human rights.

29. Activities of the Department pertaining to human rights have focused, inter alia, on promoting the Convention on the Rights of the Child (General Assembly resolution 44/25, annex) and on publicizing its entry into force on 2 September 1990. Among other publications of the Department, the June 1990 issue of Objective: Justice carried an article on the Convention on the Rights of the Child and reproduced the full text of the Convention adopted by the General Assembly on 20 November 1989. The Department is distributing world wide, through the United Nations information centres and services, a press kit in English, French and Spanish on the Convention. The kit was produced by the United Nations Children's Fund (UNICEF) and the Centre for Human Rights at the United Nations Office at Geneva. The Department is also producing, in the six official languages of the United Nations, the text of the Convention for world-wide distribution.

30. The Department assisted the secretariat of the World Summit for Children in media coverage of this major event, held at Headquarters on 29 and 30 September 1990. The annual conference for non-governmental organizations, convened by the Department from 12 to 14 September 1990 at Headquarters, had as its theme "A World Safe for Children: Meeting the Challenge in the 1990s".

31. Among other activities in observance of Human Rights Day, the Department is assisting the International Task Force on Literacy and UNESCO in the preparation of an exhibit and a special presentation to the Secretary-General on 10 December 1990 and a seminar on literacy and human rights, to be held at Headquarters on the following day.

32. The Department produced during the first half of 1990 a special feature on the "United Nations and the Human Rights Situation in South Africa" in the "One South Africa" radio series, which is broadcast in English, Sesotho, Setswana, Xhosa and Zulu. As part of the series About the United Nations, an educational video and teaching guide on human rights-related issues is scheduled for completion in 1991. A 30-minute documentary film on the work of the United Nations in the field of human rights is under production.

33. The Department is producing a number of new publications and reprints, including a catalogue of human rights and social development publications, and brochures and pamphlets on the Declaration on Social and Legal Principles relating to the Protection and Welfare of Children, with Special Reference to Foster Placement and Adoption Nationally and Internationally (Assembly resolution 41/85, annex), on the Principles of Medical Ethics, and on the International Convention against the Recruitment, Use, Financing and Training of Mercenaries (Assembly resolution 44/34, annex).

VIII. ACTIVITIES RELATING TO WOMEN AND THEIR ROLE IN SOCIETY

34. In this same recommendation, the Department was further requested to continue to disseminate information about United Nations activities pertaining to the advancement of the status of women and their role in society.

35. As part of its efforts to develop a more effective information programme aimed at the public, the Department has produced a series of UN Focus features on issues relating specifically to poverty, domestic violence against women, and literacy as a tool for empowering women.

36. In response to Economic and Social Council resolution 1990/14, the Department is preparing a booklet aimed at increasing awareness of the obstacles encountered in the implementation of the Nairobi Forward-Looking Strategies for the Advancement of Women to the year 2000, particularly in relation to education and to economic and political participation and decision-making.

37. A 30-minute video on women and literacy was co-produced by the Department and the United Nations Development Fund for Women in co-operation with the United Nations Development Programme (UNDP), UNICEF, the United Nations Population Fund

(UNFPA), the Centre for Social Development and Humanitarian Affairs of the United Nations Office at Vienna, the International Labour Organisation (ILO), the World Health Organization (WHO) and UNESCO.

38. Other activities of the Department include the co-ordination, for the Fund, of a special event honouring women in leadership to be held at Headquarters on 1 October 1990, and the organization, in co-operation with WHO, of a seminar on women and acquired immunodeficiency syndrome (AIDS) to be held at Headquarters in November 1990, as part of activities in observance of World AIDS Day.

39. Production of the special radio feature/documentary programme on "Women" has continued on a weekly basis in English, and production of the programme in Arabic, French and Spanish has resumed on a monthly basis. Among the major themes and issues of the series are "Rural women's role in the economy", "Convention on the Elimination of All Forms of Discrimination against Women", "Elderly women", "Women in political life", "Women in promotion of peace", "Debate on women's status", "United Nations women's institute in the Dominican Republic", "Equal participation by women in political decision-making", "UNIFEM", "Income-generating women in Kenya", and "Women confront AIDS". The weekly video programme, UN in Action, broadcast world wide in Arabic, English, French, Spanish and Russian, featured a special magazine item entitled "Improved production methods help village women in Ghana".

IX. ACTIVITIES ON ECONOMIC AND SOCIAL DEVELOPMENT

40. In the same recommendation, the Department was also requested to continue to disseminate, in co-ordination with the information services of other relevant agencies, information about United Nations activities pertaining to the problems of economic and social development, as well as international economic co-operation aimed at resolving external debt problems. In recommendation 2 (i) the Assembly specifically urged the Department to ensure the provision of coverage of the special session of the General Assembly devoted to international economic co-operation, in particular to the revitalization of economic growth and development of the developing countries (eighteenth special session).

41. In pursuance of those mandates, the Department has focused its activities on development issues to publicize these major United Nations events in 1990: the special session of the General Assembly devoted to international economic co-operation held at Headquarters from 23 April to 1 May 1990, the Second United Nations Conference on the Least Developed Countries, held in Paris from 3 to 14 September 1990, and the adoption, by the General Assembly at its forty-fifth session, of the international development strategy for the fourth United Nations development decade.

42. The Department prepared a comprehensive information kit on the eighteenth special session of the Assembly, directed primarily to the media, on issues relating to international economic co-operation. The kit, comprising background papers, graphics and features on debt, trade, human resources development, among others, was distributed world wide in English, French and Spanish. The Department

also organized for the international media and non-governmental organizations special briefings prior to the special session. A summary note on the special session and on the Declaration on International Economic Co-operation, in particular the Revitalization of Economic Growth and Development of the Developing Countries (Assembly resolution S-18/3, annex), adopted by the General Assembly, was prepared in English, French and Spanish for world-wide dissemination. Assistance was also provided to non-governmental organizations in their preparation of an international seminar on women and global economic issues, which was held concurrently with the special session.

43. A comprehensive information strategy was developed for the Second United Nations Conference on the Least Developed Countries, in co-operation with the United Nations Conference on Trade and Development (UNCTAD). Special media briefings were organized prior to and during the Conference. A background feature on the least developed countries was disseminated world wide in English, French and Spanish. Among other Department publications, a special supplement on those countries was published in the March-April 1990 issue of Development Forum, and a paper on them was issued in September 1990 as part of the Africa Recovery briefing paper series.

44. As part of its information programme on the international development strategy for the fourth United Nations development decade, the Department is producing in English, French and Spanish, for world-wide distribution, a feature article on regional trading blocs. The text of the strategy, when adopted by the Assembly, and a series of feature backgrounders on various elements of the strategy will be produced and consolidated into a booklet.

45. A press summary on the United Nations World Economic Survey 1990 was produced in English, French and Spanish and distributed world wide. The Department organized press briefings at Headquarters and Geneva to publicize the survey. The international and national media widely reported on the survey, many of them reproducing or extensively using the summary prepared by the Department. A related United Nations publication issued in English, Global Outlook 2000, was also publicized at the press briefings.

46. Among other activities on the United Nations Decade of Disabled Persons (1983-1992), the Department has published in English, French and Spanish a brochure entitled The United Nations and Disabled Persons. Made possible by funding from the Office of the Special Representative of the Secretary-General for the promotion of the Decade, the brochure is aimed at heightening awareness of the role of the United Nations in advancing the situation of persons with disabilities. The Department, in co-operation with the Centre for Social Development and Humanitarian Affairs, is also currently working out plans for a major publication to reflect United Nations accomplishments during the Decade.

47. In August 1990, a group of 50 disabled Japanese citizens and their friends visited Headquarters to present a "peace message" to the Secretary-General. The Department organized a programme for the occasion, which included briefings on the Organization and its work concerning disabled persons, a screening of Breaking Barriers and a press briefing.

48. The Department provided full coverage of the Eighth United Nations Congress on the Prevention of Crime and the Treatment of Offenders, held at Havana from 27 August to 7 September 1990, and prepared a comprehensive information kit for the media on issues relating to the Congress. The kit, comprising background papers and a 12-page preview, was distributed world wide in English and Spanish. To further publicize the Congress and its major issues, the booklet UN and Crime Prevention and Criminal Justice was published and distributed in English and Spanish for non-governmental and professional organizations. A poster for the Eighth Congress was also produced in English and Spanish.

49. In connection with the twentieth anniversary of the Declaration on Social Progress and Development, the Department issued a pamphlet entitled UN Social Agenda. The pamphlet, issued in English, French and Spanish, covers social issues dealt with by the United Nations.

X. ACTIVITIES IN CONNECTION WITH AFRICAN RECOVERY AND DEVELOPMENT

50. In recommendation 2 (d), the Department was urged to do its utmost to disseminate widely and to publicize the United Nations Programme of Action for African Economic Recovery and Development 1986-1990 (General Assembly resolution S-13/2, annex) and the tremendous efforts of the African countries towards recovery and development, as well as the positive response by the international community to alleviate the serious economic situation prevailing in Africa.

51. The Africa Recovery Unit of the Department has continued to produce the widely read publication, Africa Recovery, and to provide essential information on issues related to the United Nations Programme of Action.

52. In addition to the publication of the quarterly Africa Recovery, a series of articles dealing with issues of African economic development was published in major newspapers.

53. Activities related to the Second United Nations Conference on the Least Developed Countries included the production of a briefing paper on the African least developed countries for policy makers, development planners and journalists. A journalists' tour to Togo and the United Republic of Tanzania was organized, with the participation of a high-level group of journalists.

54. A multi-media kit was prepared for the report of the Secretary-General's Expert Group on African Commodity Problems. A press conference and interviews with journalists were organized for the Chairman of the Expert Group, Mr. Malcolm Fraser, to launch the report. Those press contacts and conferences and the press kit resulted in substantial coverage of the report by the media.

55. Assistance was provided to the secretariat of the United Nations Steering Committee for the Programme of Action for African Economic Recovery and Development for the convening of a conference on Africa held in London on 6 June 1990. Extensive media planning helped to ensure coverage of the conference by all the major United Kingdom newspapers, as well as by television and radio.

56. The Department has continued to produce and disseminate the weekly telephone feed on African economic recovery and development. An average of six stations in North America, Africa and the Caribbean call in to receive the feed each week.

XI. ACTIVITIES PERTAINING TO THE ENVIRONMENT

57. The Department was also requested in recommendation 2 (c) to continue to disseminate, in co-ordination with the information services of other relevant agencies, information about United Nations activities pertaining to the environment.

58. In preparation for the United Nations Conference on Environment and Development, to be held in Brazil in June 1992, the Department is developing a comprehensive information programme in close co-operation with the secretariat of the Conference and the Joint United Nations Information Committee. The programme includes promotional efforts leading up to the Conference, comprehensive coverage of the Conference itself, and extensive follow-up after the Conference.

59. The first backgrounder on the Conference, entitled "United Nations to Hold World Conference on Environment and Development in Brazil in 1992", was produced in English, French and Spanish and distributed world wide, in time for the first session of the Preparatory Committee for the Conference, held at Nairobi from 6 to 31 August 1990.

60. In connection with World Environment Day 1990, the Department produced, with partial funding from the United Nations Environment Programme (UNEP), two special radio documentaries on the theme of children and the environment, entitled "Present Concerns and Future Dangers" and "Galvanizing the Young into Action". Two similar special documentaries were also produced in Spanish, in collaboration with UNEP. "Preservation of the Environment" and "Chernobyl: Scope of Disaster" were among other features produced.

61. Other activities in co-operation with UNEP included the holding, on 11 June 1990 at Headquarters, of a press conference by the Executive Director of UNEP and Olivia Newton-John, on the occasion of her appointment as goodwill ambassador for UNEP, and the organization of a major exhibit on Inuit art, which remained on view in the public lobby of the General Assembly building from 5 June to 30 September 1989.

62. The Department is developing, in co-operation with the Office of the United Nations Disaster Relief Co-ordinator (UNDRO) and the secretariat of the International Decade for Natural Disaster Reduction, a comprehensive information programme to publicize the Decade (1990-1999). In this context, an illustrated brochure on the aims and purposes of the Decade was produced in English, French and Spanish and distributed world wide to the media, non-governmental organizations, governmental agencies and educational institutions. A poster has been designed and distributed world wide in time for the observance, on 10 October 1990, of the first International Day for Natural Disaster Reduction.

XII. CAMPAIGN AGAINST ILLICIT TRAFFICKING IN NARCOTICS AND DRUG ABUSE

63. The Department of Public Information was also urged in recommendation 2 (c), to continue to disseminate information about United Nations activities pertaining to the international campaign against drug abuse and illicit trafficking, including adequate coverage of the special session of the General Assembly to consider the question of international co-operation against illicit production, supply, demand, trafficking and distribution of narcotic drugs (seventeenth special session).

64. In addition to previously reported activities in connection with the special session, the Department published and distributed a media backgrounder in English, French and Spanish summarizing the session's main accomplishments.

65. On 26 June 1990 the Department organized a special theatrical presentation at Headquarters for the third International Day against Drug Abuse and Illicit Trafficking.

66. The Department provided press coverage and media liaison for the World Ministerial Summit to reduce demand for drugs and to combat the cocaine threat, organized by the Government of the United Kingdom in association with the United Nations and held in London from 9 to 11 April. Press kits and other publications were distributed.

67. Among audio-visual materials produced by the Department, a UN in Action programme received the CNN World Report Award for best coverage of an ongoing issue. Aired by CNN World Report on 18 February 1990 and distributed to some 90 television stations world wide, the programme portrayed Egyptian drug control efforts reflecting United Nations objectives and strategies.

68. Public service announcements carrying the message "The United Nations Fights Drug Abuse World Wide" have continued to be placed in major international news magazines. These announcements are designed and produced by the Department and placed by the respective magazines free of charge.

XIII. ACTIVITIES AGAINST THE POLICIES AND PRACTICES OF APARTHEID

69. In recommendation 2 (e), the General Assembly requested the Secretary-General to ensure that the Department of Public Information strengthen its activities and the dissemination of information on United Nations activities against the policies and practices of apartheid, giving due attention to the unilateral measures and official censorship imposed on the local and international media with regard to all aspects of that issue.

70. The Department actively participated in preparations for the first visit to Headquarters of African National Congress leader, Mr. Nelson Mandela, on 22 June 1990. The Department provided full press, radio and television coverage of this historic event, which culminated with Mr. Mandela's address before the Special Committee against Apartheid in the General Assembly Hall. A press conference with

Mr. Mandela was also organized on the occasion of his visit. Among other publications of the Department, the June 1990 issue of Objective: Justice featured a special article on the South African leader.

71. The Department also continued to implement its comprehensive information programme to promote the ideas and issues embodied in the Declaration on Apartheid and its Destructive Consequences in Southern Africa (General Assembly resolution S-16/1, annex). A photo exhibit, jointly produced by the Centre against Apartheid and the Department under the title Apartheid South Africa Travelling Exhibit, constitutes a key element of the promotion campaign. In light of the rapidly changing situation in South Africa, the photo exhibit has been updated to reflect current developments.

72. Other activities included the issuance, in brochure-form in English, French and Spanish, of the report of the Secretary-General on progress made in the implementation of the Declaration on Apartheid and its Destructive Consequences in Southern Africa (see A/44/960 and Add.1-3), to coincide with the opening of the General Assembly debate on the report. A poster on the Declaration was produced for world-wide distribution. Arrangements have been made for French artist Michel Granger, who produced the poster on the independence of Namibia, to do the art work for another poster that will promote the idea of a negotiated settlement in South Africa.

73. During the first half of 1990, 24 special editions were produced in English, Sesotho, Setswana, Xhosa and Zulu as part of the "One South Africa" radio series. Other special features produced in weekly programmes included "South African Exiles: Prospects for Their Return", in "Perspective", which is distributed to some 350 radio stations world wide; "Apartheid: Last Bastion of Racial Discrimination" in the French-language programme "Perspectives internationales"; "Complete Eradication of Apartheid", in the Spanish-language programme "Perspectiva Internacional"; a series on "The Pillars of Apartheid", in "UN Caribbean Echo"; "A New Approach to a Political Transformation in South Africa" and "Children: The Most Vulnerable Victims of the Destabilization Policies of South Africa", in the Portuguese-language programme "As NU em Acçao". "The Release of Nelson Mandela and its Meaning in the Peace Process in South Africa" and "A New Agenda for Peaceful Change in South Africa" were broadcast in official and non-official languages in numerous special editions of radio and television programmes of the Department.

XIV. ACTIVITIES RELATING TO THE SITUATION IN THE MIDDLE EAST AND THE QUESTION OF PALESTINE

74. In recommendation 2 (g) the General Assembly requested the Secretary-General to ensure that the Department of Public Information continue to cover all United Nations activities pertaining to the situation in the Middle East, and the question of Palestine in particular, and current developments therein.

75. Coverage of the question of Palestine during the past year focused increasingly on news items and information concerning the situation in the occupied territories and efforts to convene an international peace conference on the Middle East under United Nations auspices.

76. The Department continued to distribute its publications on the question of Palestine, such as a revised version of the booklet The United Nations and the Question of Palestine in Arabic, English, French, German and Spanish; the booklet For the Rights of Palestinians: Work of the Committee on the Exercise of the Inalienable Rights of the Palestinian People; the booklet entitled Human Rights for the Palestinians: The Work of the Special Committee to Investigate Israeli Practices Affecting the Human Rights of the Population of the Occupied Territories; and the brochure entitled The International Day of Solidarity with the Palestinian People in English, which is currently being translated into French and Spanish.

77. All aspects of the question of Palestine, including the Security Council meetings held at Geneva, Palestine refugees, Palestinian rights, the intifadah, the situation of the occupied territories, the work of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the meetings of the Committee on the Exercise of the Inalienable Rights of the Palestinian People and the prospects for an international peace conference on the Middle East, were covered extensively in both official and non-official languages in news, current affairs magazines and other radio programmes of the Department.

78. Among special radio programmes, the Department produced two editions on "UNCTAD Assistance to the Palestinian People" and "The Question of Palestine" in the weekly programme in Arabic, Afakon Alamiya; two editions on "Palestine: Search for a Just and Durable Solution" and "Question of Palestine: Immigration of Soviet Jews to Israel" in French; "The Contribution of International Seminars and Symposia Focus on Palestine" in Kiswahili. The Caribbean Unit produced two editions on "The Question of Palestine and the Caribbean Media", which were distributed to all countries and territories in the Caribbean region. "The Work of UNRWA" was featured in the weekly English magazine Scope. All regional seminars and symposia for non-governmental organizations on the question of Palestine sponsored by the Committee on the Exercise of the Inalienable Rights of the Palestinian People were covered extensively in weekly regional magazines.

79. The Department continued to organize activities to acquaint the media with the facts and developments pertaining to the question of Palestine. A team of 14 high-level journalists participated in a news mission to the Middle East organized by the Department, which provided them with an opportunity to gain first-hand knowledge and impressions on various aspects of the Palestine question. Between 13 and 31 May 1990, the team visited Tunis, Damascus, Amman and Cairo, and met and interviewed a large number of leaders and senior officials of Egypt, Jordan, the Syrian Arab Republic, Tunisia and the Palestine Liberation Organization (PLO). Numerous field visits, particularly to Palestine refugee camps, were also organized. The mission received extensive media coverage in all the countries visited. Numerous articles were later published and radio and television programmes broadcast by the participants on the basis of their experience and interviews conducted during the mission.

XV. ACTIVITIES PERTAINING TO NAMIBIA

80. In recommendation 2 (h) the Department was requested to continue to disseminate information about Namibia, in particular the independence process as

provided for in Security Council resolution 435 (1978) of 29 September 1978. The Department was also required to make adequate plans for the establishment of an information centre in Namibia, in consultation with the Government of the new nation after independence.

81. The Department provided full press, television and radio coverage of the admission, on 23 April 1990, of Namibia as the hundred and sixtieth member of the United Nations - a landmark in the history of the Organization. On that day, the exhibit "Namibia: New Nation, New Needs", produced on the occasion of Namibia's independence, was opened by the Secretary-General of the United Nations and the Prime Minister of Namibia. On view in the public lobby of the General Assembly building until 6 September 1990, and later at other United Nations sites, the exhibit will find a permanent home in Namibia. Articles on the exhibit and on Namibia were carried in the June 1990 issue of Objective: Justice.

82. As part of its activities to highlight the international donors' meeting on assistance to Namibia initiated by the Secretary-General and held in June 1990, the Department organized from 23 April to 4 May 1990 a journalists' tour to Namibia to acquaint journalists from major mass media with the basic economic and social issues facing the new nation. A team of 11 senior journalists from major potential donor countries participated in the tour. The numerous articles produced as a result of the tour form the basis of a publication of the Department, to be issued in English and disseminated world wide.

83. As a follow-up to the journalists' tour and in co-ordination with UNDP, a series of briefings intended for non-governmental organizations, local media and business people interested in the development of Namibia will be arranged in major potential donor countries to disseminate information about Namibia's economic and social needs. This series of briefings will take place in the last quarter of 1990 and will thus conclude the information programme of the Department pertaining to Namibia.

84. A 30-minute video entitled Namibia Independence: A Nation is Born was produced and distributed in English, as the third and last of a Department video series on the independence process of Namibia. Other language versions of the film, which focuses on the role of the United Nations and the independence celebration, are being prepared for world-wide distribution.

85. Arrangements have been made with the Namibian Government for establishing a United Nations information centre at Windhoek.

XVI. STRENGTHENING OF THE UNITED NATIONS INFORMATION CENTRES AND SERVICES

86. In resolution 44/50, section II, paragraph 1, recommendation 6, the General Assembly requested United Nations information centres to intensify direct and systematic communication exchange with local media, information and educational institutions and non-governmental organizations. Every effort should be made to establish close co-ordination with other field offices of the United Nations

system, particularly those of UNDP, in order to avoid duplication of work, taking into account the functional autonomy that the United Nations information centres should have.

87. In this regard, every effort continues to be made by the network of 67 United Nations information centres and services to intensify direct and systematic communication exchange with local media, information and educational institutions, and non-governmental organizations. New contacts and co-operative endeavours with local media have been established in most countries. Centres have reported that the local media often use the contents of Department press kits and UN Focus feature series in full page spreads and special newspaper supplements.

88. The centres have secured additional regular time-slots for audio-visual programmes of the Department. Directors of the centres are often interviewed on radio and television, and arrangements are made by staff for interviews with visiting officials and representatives of the United Nations and its agencies.

89. The centres have also undertaken numerous activities with local media, broadcasting agencies, non-governmental organizations and educational institutions on occasions of special United Nations events.

90. They have issued information materials of the Department such as photographs, posters, wallsheets, teaching guides on selected topics, and other publications produced by organizations of the United Nations system in setting up United Nations stands at bookfairs and other public places, including schools, shopping malls and subway stations. Arrangements were made by various centres to have United Nations posters displayed at airports and major bus or train terminals in cities such as Brussels, Buenos Aires, Copenhagen, Geneva, London, Madrid, New Delhi, Rabat, Sydney and Vienna.

91. As part of its efforts to strengthen ties between Headquarters and the field, the Department held, from 21 to 23 March 1990 at Tunis, a meeting of information centres directors in Arabic-speaking countries. The role and functions of those centres were reviewed and discussions were held on ways of enhancing their co-operation with other United Nations offices to promote public understanding of the role of the Organization in tackling global issues and problems of regional concern and to mobilize public support for United Nations efforts. A five-day meeting of directors serving in Asia and the Pacific was held at Manila in May 1990. The meeting coincided with the launching in Manila of a regional publicity campaign to promote public awareness of the Convention on the Rights of the Child. The information centres in the region co-operated with UNICEF and the Centre for Human Rights on this event.

92. A seminar for reference assistants from United Nations information centres and services in Europe was held at Geneva, with professional guidance from the Dag Hammarskjöld Library and participation of staff members of the United Nations, ILO, WHO and UNESCO libraries at Geneva, and of representatives of the Advisory Committee for the Co-ordination of Information Systems. Fourteen reference assistants met with 10 United Nations depository librarians and a UNDP senior library assistant for four days of discussion on programmes, documentation and

technological innovation. In the same spirit as in Nairobi, where 23 reference assistants from information centres in African countries met in December 1989, the Geneva seminar provided an opportunity to exchange ideas on more efficient and productive ways of responding to the information needs of the local public. The seminar also helped develop closer links among all local sources of information about the United Nations, including the United Nations depository libraries and libraries of United Nations agencies.

93. Pursuing efforts to strengthen their co-operation in the field, the Department and UNDP have agreed on the text of an Understanding between the Department of Public Information and the United Nations Development Programme for Rationalizing United Nations Field Representation, following careful consideration of all proposed changes and amendments to the initial text. While co-operation in the field between the Department and UNDP has been extremely positive and encouraging, there is an agreement that co-operation can be further strengthened through closer ties between the regional desk officers of both bodies, participation of senior staff in regional meetings, and thorough briefings of UNDP resident representatives and co-ordinators on public information matters. All measures are aimed at maximizing the joint skills and resources in the field.

94. In order to accelerate the process of linking information centres with Headquarters and with offices in all regions, 56 centres now have facsimile machines installed and fully operational. Several information centres have received new computer equipment and the staff has been trained to use it.

XVII. CO-ORDINATION OF INFORMATION ACTIVITIES OF THE UNITED NATIONS SYSTEM

95. In recommendation 7, the Department was encouraged to continue its active participation in the work of the Joint United Nations Information Committee, in recognition of the need for co-ordinating information activities of the United Nations system.

96. As the secretariat of the Committee, the Department organized the sixteenth session of the Committee, convened under the chairmanship of the Under-Secretary-General for Public Information, and held on 21 and 22 June 1990 at Geneva. The report of the Committee has been submitted to the Administrative Committee on Co-ordination in document ACC/1990/11.

Notes

1/ See Official Records of the General Assembly, Forty-fourth Session, Supplement No. 21 (A/45/21).

UNITED
NATIONS

A S

General Assembly Security Council

Distr.
GENERAL

A/45/534
S/21813
24 September 1990

ORIGINAL: ENGLISH

GENERAL ASSEMBLY
Forty-fifth session
Agenda items 23, 35 and 75
QUESTION OF PALESTINE
THE SITUATION IN THE MIDDLE EAST
REPORT OF THE SPECIAL COMMITTEE TO
INVESTIGATE ISRAELI PRACTICES
AFFECTING THE HUMAN RIGHTS OF THE
PALESTINIAN PEOPLE AND OTHER ARABS
OF THE OCCUPIED TERRITORIES

SECURITY COUNCIL
Forty-fifth year

Letter dated 24 September 1990 from the Permanent Observer of Palestine to the United Nations addressed to the Secretary-General

I am instructed by the Executive Committee of the Palestine Liberation Organization, which has the powers and responsibilities of the Provisional Government of Palestine, to bring the following to your immediate attention:

This morning the Israeli occupation forces are still continuing the crime of demolishing residences of Palestinians in the refugee camps of Bureij and other refugee camps in the Gaza area.

According to the Israeli press, 200 such residences will be demolished by the occupation forces and hundreds of Palestinians will be evicted from the refugee camps.

Further to our letter to you dated 21 September 1990 (A/45/532-S/21809), we wish to inform you that, on Saturday, 22 September 1990, Israeli soldiers attacked women in the refugee camp of Bureij. The policy of bone-breaking has been reactivated. The all-out brutal policy against Palestinians has spread to all the occupied Palestinian territory in the Abu Thor quarter of Jerusalem, against the Ittihad hospital in Nablus, and in the refugee camps in Balata, Nablus, and Jabalia, Gaza.

Representatives of the International Committee of the Red Cross as well as those of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) are, so far, prevented from entering those areas which have been declared a "military zone".

The Executive Committee of the Palestine Liberation Organization calls upon the Secretary-General and the members of the Security Council to take immediate action, including the convening of a meeting of the Security Council, with a view to taking measures to put an end to such brutal action by Israel, the occupying Power, and to providing international protection to the Palestinians under Israeli occupation pending a just solution to the Palestine question in conformity with the relevant United Nations resolutions.

I should be grateful if you would arrange to have the text of the present letter circulated as an official document of the General Assembly, under items 23, 35 and 75, and of the Security Council.

(Signed) Zuhdi Labib TERZI
Permanent Observer of
Palestine to the United Nations

UNITED NATIONS

A

General Assembly

Distr.
GENERAL

A/45/535
24 October 1990

ORIGINAL: ENGLISH

Forty-fifth session
Agenda item 108

INTERNATIONAL ACTION TO COMBAT DRUG ABUSE AND ILLICIT TRAFFICKING

Action taken pursuant to General Assembly resolution 44/142

Report of the Secretary-General

CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 4	2
II.	ACTION BY THE SECRETARY-GENERAL	5 - 14	2
	A. Implementation of General Assembly resolution 43/121 and Economic and Social Council decision 1989/123	5 - 8	2
	B. Study on the economic and social consequences of illicit traffic in drugs	9 - 14	3

I. INTRODUCTION

1. In its resolution 44/142, paragraph 9, of 15 December 1989, the General Assembly requested the Secretary-General to undertake as soon as possible, with the assistance of a group of intergovernmental experts, a study on the economic and social consequences of illicit traffic in drugs, with a view to analysing, inter alia, (a) the magnitude and characteristics of economic transactions related to drug trafficking in all its stages, including production of, traffic in and distribution of illicit drugs, in order to determine the impact of drug-related money transfers and conversion on national economic systems and (b) mechanisms which would prevent the use of the banking system and the international financial system in this activity.

2. In paragraph 10 of that resolution, the General Assembly requested the Secretary-General to ask Member States for their views on the scope and context of such a study, taking into account the elements set forth in paragraph 9 of the resolution and to transmit such views to the intergovernmental group of experts.

3. In paragraph 16, the General Assembly requested the Secretary-General to report to its forty-fifth session on the implementation of its resolution 43/121 of 8 December 1988 and Economic and Social Council decision 1989/123 of 22 May 1989. Assembly resolution 43/121 concerns the use of children in the illicit traffic in narcotic drugs and rehabilitation of drug-addicted minors; and Council decision 1989/123 concerns drug addiction among children.

4. In paragraph 22, the General Assembly requested the Secretary-General to report at its forty-fifth session on the implementation of the resolution.

II. ACTION BY THE SECRETARY-GENERAL

A. Implementation of General Assembly resolution 43/121 and Economic and Social Council decision 1989/123

5. In paragraph 6 of its resolution 43/121, the General Assembly appealed to the competent international agencies and the United Nations Fund for Drug Abuse Control (UNFDAC) to assign high priority to financial support for prevention campaigns and programmes to rehabilitate drug-addicted minors conducted by government bodies dealing with such matters, and also appealed to all competent international and national agencies to provide all possible support to the non-governmental organizations engaged in such action. Similarly in its decision 1989/123, the Economic and Social Council had reiterated the appeal made to the competent international agencies and UNFDAC.

6. Following that request, UNFDAC continued to give high priority to the prevention and reduction of the illicit demand for drugs through public and community awareness and education programmes. This sector was allocated approximately 23 per cent of the Fund's total budget for 1990. Among the most recent initiatives is the new demand-reduction programmes for Colombia, which

include drug prevention activities with street children in Bogotá. Six other projects based in major Colombian cities will promote increased awareness of the dangers of drug abuse, particularly among young people, and provide counselling treatment and rehabilitation services. Similar projects are implemented in other countries of the Andean subregion, the Caribbean, South-East and South-West Asia and Africa. All these activities are targeted at ensuring to the children a social and family environment that will preserve their health, physical fitness and well-being. These activities are carried out by recipient Governments and involve, whenever appropriate, the expertise of United Nations agencies and non-governmental organizations.

7. In paragraph 7 of its resolution 43/121, the General Assembly requested the Secretary-General to ensure that the Department of Public Information of the Secretariat includes in its publication, as a matter of priority, information designed to prevent the use of narcotic drugs and psychotropic substances among children.

8. In response to that request the Department of Public Information organized a presentation by Daytop Village for the International Day against Drug Abuse and Illicit Trafficking, which focused on drug abuse prevention issues directly related to youth. Strategies for dealing with peer pressure and the positive function of support groups were dramatized and an invited group of teenagers participated in the question and answer portion of the programme. As regards other communications directed at young people, the booklet "The United Nations and Drug Abuse Control", published and revised by the Department, contains a question and answer section giving frank answers to questions commonly raised by young people on drug-related issues. If sufficient resources can be secured, the Department will prepare an educational video and study guide on drug abuse prevention to be used by elementary and secondary schools around the world.

B. Study on the economic and social consequences of illicit traffic in drugs

9. In accordance with paragraph 10 of Assembly resolution 44/142, the Secretary-General, by his note verbale dated 27 February 1990, asked Member States for their views on the scope and context of a study on the economic and social consequences of illicit traffic in drugs. Those views were transmitted to the Intergovernmental Expert Group.

10. The Intergovernmental Expert Group to Study the Economic and Social Consequences of Illicit Traffic in Drugs met at Vienna from 21 to 25 May and from 9 to 20 July 1990. Twenty experts from the Bahamas, Bolivia, Bulgaria, Canada, Egypt, France, India, Italy, Japan, Mexico, the Netherlands, Peru, Senegal, Spain, Switzerland, the United Kingdom of Great Britain and Northern Ireland, the United States of America and Venezuela participated in the meeting. The Division of Narcotic Drugs acted as secretariat and was responsible for the substantive preparation of the meeting.

11. In view of the wide scope of its mandate and the complex issues covered by it, the Expert Group, following the consideration of its mandate, drew up a preliminary study setting the framework for a future in-depth, full scale study dealing with (a) the illicit market and its main characteristics, (b) the production of illicit drugs and (c) the consumption and distribution of illicit drugs. The limited time available and the inadequacy of data concerning illicit traffic, drug abuse and financial flows related to drug trafficking did not permit the Expert Group Meeting to undertake such an in-depth study during the two sessions allocated to it.

12. The report on the meeting of the Expert Group includes the recommendations it adopted, the deliberations of the meeting on its mandate, particularly as indicated in subparagraphs 9 (a) and (b) of Assembly resolution 44/142, and an annex containing a framework for a future in-depth study on the economic and social consequences of illicit traffic in drugs proposed by the Expert Group. The full report of the Intergovernmental Expert Group to Study the Economic and Social Consequences of Illicit Traffic in Drugs is with the Secretariat.

13. The 18 recommendations adopted by the Expert Group and contained in Chapter I of its report are as follows:

"A. Recommendations adopted following consideration of General Assembly resolution 44/142, subparagraph 9 (a)

"1. The Expert Group recommends that:

"(a) The Secretary-General should develop an annual estimate of the illicit drug situation on a world-wide basis that should include statistical data and other information on the extent of cultivation and the volume of production of illicit narcotic drugs and psychotropic substances covered by international drug control treaties, as well as on production prices, value added at different stages of trafficking and distribution, cash flow, money laundering, confiscation and drug-related organized criminal activities and the extent of and trends in drug abuse, in order to assist the United Nations in determining the social and economic impact of illicit drug trafficking and drug abuse in the various regions of the world;

"(b) The Secretary-General should be asked to develop ways and means of collecting data and to develop the appropriate methodology to be used in processing the data as required on a world-wide basis, with the assistance of groups of experts from different regions, in the relevant fields, in order to overcome the current difficulties in obtaining reliable information on the subject;

"(c) The preparation of the annual estimate should take into account the relevant norms contained in international drug control treaties on the reporting and collating of information;

"(d) A unit should be established with the capability of organizing the gathering of data, processing the data and preparing the annual estimate;

"(e) The resources required for the above-mentioned activities should be obtained, inter alia, by the rationalization of existing United Nations activities in this field, as well as from the regular budget;

"(f) The Secretary-General, through the Division of Narcotic Drugs of the Secretariat and the United Nations Fund for Drug Abuse Control, should, in consultation and co-operation with other international bodies and Member States, conduct regular analytical studies on the social and economic effects of the production of, trafficking in and consumption of illicit drugs, in order to obtain better information for policy-making and the formulation of work programmes at various levels;

"(g) The following relevant issues should be among those included in the above-mentioned studies:

"(i) The tracing of financial flows and money laundering related to illicit drug trafficking by organized crime;

"(ii) The consequences of illicit drug production and trafficking for macrolevel management of the affected economies;

"(iii) The estimation, by country, of the number of households engaged in illicit crop production and of the share of household income generated by illicit crop production;

"(iv) The impact and effectiveness of the control of substances listed in tables I and II of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances that are used in the manufacture of illicit drugs, indicated in article 12 of that Convention;

"(h) States with illicit crop production and illicit trafficking should exchange experiences of various policies designed to deal with those problems;

"(i) The United Nations should contribute to this exchange of experiences by providing funds for policy research studies and the exchange of experts.

"2. The Secretary-General should commission a study to determine:

"(a) The possibilities, effectiveness and limitations of economic policies and programmes employed against illicit crop;

"(b) The extent to which crop-substitution programmes could be improved (...);

"3. The Expert Group recommends that the Secretary-General should undertake an analytical study to establish and quantify the link between illicit drug trafficking and external debt and the economic implications arising therefrom.

"4. The Expert Group recommends that the Secretary-General should be called upon to convene an expert group meeting to undertake a detailed study on the social consequences of drug abuse and illicit traffic in order to propose remedial action concerning: (a) the economic and social problems resulting therefrom; and (b) the involvement of persons and groups in the illicit production of, traffic in and consumption of narcotic drugs and psychotropic substances.

"B. Recommendations adopted following consideration of General Assembly resolution 44/142, subparagraph 9 (b)

"5. All States should implement such measures in order to counter money laundering.

"6. States should adopt:

"(a) Measures to establish as criminal offences drug-related money transfers and conversion, consistent with article 3, subparagraph 1 (b) of the 1988 Convention;

"(b) Measures to enable the identification, tracing, freezing and seizure of proceeds, property or instrumentalities derived from, used in or intended for use in illicit drug trafficking for the purpose of eventual confiscation, as set forth in article 5 of the 1988 Convention;

"(c) Measures to ensure that bank and corporate secrecy laws, established professional practices and privilege laws do not inhibit criminal investigations into money laundering.

"7. The Expert Group recommends that States should increase their efforts to implement the provisions of the Global Programme of Action, paragraphs 62-73, concerning measures to be taken against the effects of money derived from, used in or intended for use in illicit drug trafficking, illegal financial flows and illegal use of the banking system.

"8. The Expert Group recommends that States should examine the recommendations contained in the report of the Financial Action Task Force on Money Laundering of 7 February 1990 and, where appropriate, to implement those recommendations to the widest extent possible.

"9. The Expert Group recommends that States should inform the Division of Narcotic Drugs of the Secretariat of specific problems encountered in implementing measures to prevent the use of their banking systems and the international financial system in money laundering, with a view to, inter alia, sharing experience and knowledge, devising ways of overcoming such problems and considering the advisability of adopting uniform procedures to this effect.

"10. The Expert Group recommends that all States should take steps to prevent the use of financial institutions, including non-bank financial institutions, for the purpose of processing and laundering drug-related money.

"11. The Expert Group recommends that States should encourage banks and other entities providing financial services, institutions and professional groups (attorneys, accountants, stockbrokers, trustees, etc.) to co-operate fully with supervisory or law enforcement authorities in order to combat the processing and laundering of drug-related money and to ensure that such authorities are able to receive and, if necessary, to act upon reports of suspicious transactions.

"12. The Expert Group recommends that States, through their competent supervisory authorities, should encourage financial and other institutions to develop and implement self-regulatory processes to prevent the abuse of the financial system.

"13. The Expert Group recommends that banks and other entities providing financial services, institutions and professional groups:

"(a) Should make certain that they have knowledge of the identity of their customers and clients when entering into business relations or conducting major business transactions on their behalf. If there is any doubt that customers or clients are acting on their own behalf, reasonable measures should be taken to identify the persons on whose behalf they are acting;

"(b) Should scrutinize any unusual transaction or instruction concerning financial transfers without apparent economic rationality or legitimate purpose;

"(c) Should be required to report any suspicious transaction to the competent supervisory law enforcement authorities. The disclosure in good faith of such transactions should not constitute a breach of any restriction to disclose information and should not entail penal or civil liability for the individual or institution concerned.

"14. The Expert Group recommends that:

"(a) States should take steps to strengthen international co-operation in combating money laundering by preventive action, law enforcement activities and other measures such as the facilitation of mutual legal assistance and extradition procedures;

"(b) States should foster mechanisms for the rapid and direct exchange of information between competent authorities at the international level.

"15. The Expert Group recommends that the Secretary-General should be invited to convene an expert group comprising of representatives drawn from the

private and public sectors to define international minimal standards of professional conduct in financial and related professional activities to counter the processing and laundering of drug-related money.

"16. The Expert Group recommends that the Division of Narcotic Drugs, should in liaison with the International Criminal Police Organization and the Customs Co-operation Council for the purpose of developing a unit with expertise to assist Member States, at their request, in developing and preparing laws and enforcement programmes to deal with matters relating:

"(a) To drug trafficking, money laundering and related criminal activities, including organized crime;

"(b) To the development and implementation of mechanisms to prevent banking and other financial institutions or systems from being used for processing or laundering money derived from, used in or intended for use in illicit drug trafficking;

"(c) To the corruption of law enforcement authorities, government officials and institutions;

"(d) To methodologies for the investigation of money laundering and the tracing of assets.

"17. The Expert Group recommends that Member States should give special consideration to contributing the value or a portion of the value of confiscated proceeds and assets to the United Nations for programmes related to the implementation of the 1988 Convention and the development and maintenance of programmes related to illicit drug production, trafficking, processing and consumption and the laundering of drug-related money.

"18. The Expert Group recommends to the General Assembly that the necessary funding for recommendations 1-17 above should be made available at the earliest opportunity so that they may be implemented as soon as possible and have the greatest impact and effectiveness."

14. The Secretary-General has taken note of the recommendations addressed to him, which will be considered in the context of the proposed programme of activities of the drug control units for the biennium 1992-1993.

UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/45/536
16 October 1990

ORIGINAL: ENGLISH

Forty-fifth session
Agenda item 108

INTERNATIONAL ACTION TO COMBAT DRUG ABUSE AND ILLICIT TRAFFICKING

Global programme of action against illicit narcotic drugs

Report of the Secretary-General

CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 5	2
II.	ACTION BY THE UNITED NATIONS SYSTEM - SYSTEM-WIDE ACTION PLAN	6 - 10	2
III.	ACTION BY GOVERNMENTS	11 - 17	4
IV.	CONCLUSION	18 - 20	5

I. INTRODUCTION

1. In resolution 44/141 of 15 December 1989, the General Assembly recognized the need for a more comprehensive approach to international drug control and a more efficient and co-ordinated structure that would enable the United Nations to play the central and increased role necessary to counter the dramatic rise in drug abuse, illcit production and trafficking in narcotic drugs and psychotropic substances.

2. In that resolution, the General Assembly requested the Secretary-General, in his capacity as Chairman of the Administrative Committee on Co-ordination (ACC), to co-ordinate at the inter-agency level the development of a United Nations system-wide action plan on drug abuse control.

3. In response to mandates contained in resolution 44/141, the General Assembly, at its seventeenth special session convened from 20 to 23 February 1990, adopted a Political Declaration and a Global Programme of Action (S-17/2) on international co-operation against illicit production, supply, demand, trafficking and distribution of narcotic drugs and psychotropic substances. The Global Programme of Action is a comprehensive plan of action to be taken by States and United Nations entities collectively and simultaneously in the fight against all aspects of drug abuse and illicit traffic. In paragraph 97 of the Global Programme of Action, the Assembly called upon the Commission on Narcotic Drugs and the United Nations drug control bodies to monitor the progress continuously of the Global Programme of Action and requested the Secretary-General to report annually to the General Assembly on all activities relating to the Global Programme of Action.

4. In paragraph 4 of resolution 44/141 and paragraph 93 of the Global Programme of Action, the General Assembly also requested the Secretary-General to select experts from developed and developing countries to assist and advise him on methods to enhance the efficiency of the United Nations structure for drug abuse control and to report to the Assembly at its forty-fifth session. Accordingly, the report of the Secretary-General on the work of the Expert Group Meeting on enhancement of the efficiency of the United Nations structure for drug abuse control is before the General Assembly.

5. The present document responds to the General Assembly's request for a report on the implementation of resolutions 44/141 and S-17/2.

II. ACTION BY THE UNITED NATIONS SYSTEM - SYSTEM-WIDE ACTION PLAN

6. In paragraph 3 of resolution 44/141, the General Assembly requested the Secretary-General to co-ordinate at the inter-agency level the development of a United Nations system-wide action plan aimed at the full implementation of all existing drug abuse control mandates and subsequent decisions of intergovernmental bodies throughout the United Nations system, using as a guide the Declaration of the International Conference on Drug Abuse and Illicit Trafficking and the recommendations in the Comprehensive Multidisciplinary Outline of Future Activities for Drug Abuse Control.

7. In accordance with that request, consultations were held between the Division of Narcotic Drugs, the International Narcotics Control Board and its secretariat and the United Nations Fund for Drug Abuse Control to develop a draft framework along the guidelines of the Comprehensive Multidisciplinary Outline for the United Nations system-wide action plan. Under the chairmanship of the Director-General of the United Nations Office at Vienna, in her capacity as Co-ordinator of all United Nations drug-control related activities, informal consultations with a number of agencies represented on ACC were held at Vienna in late November 1989. A preliminary draft of the outline of the system-wide action plan was reviewed by the Ad Hoc Inter-Agency Meeting on Co-ordination in Matters of International Drug Abuse Control, which met at Vienna on 5 February 1990. It was revised again to take into account the views expressed at that meeting and, subsequently, the decisions taken by the General Assembly at its seventeenth special session. The system-wide action plan was then presented by ACC to all Member States and forwarded to the Committee for Programme and Co-ordination (CPC), which considered it at its thirtieth session from 7 May to 11 June 1990.

8. At its second regular session, the Economic and Social Council took note of the report of the Secretary-General on the United Nations system-wide action plan on drug abuse control and endorsed the relevant conclusions and recommendations contained in the report of CPC. In resolution 1990/87, the Council stressed the need to revise the system-wide action plan in time for the forty-fifth session of the General Assembly in order to incorporate fully all the mandates and activities contained in the Global Programme of Action and to comply with the guidelines set out by the General Assembly in its resolution 44/141.

9. In addition the Economic and Social Council requested the Secretary-General to submit the statement of programme budget implications in a timely manner to the relevant committees of the General Assembly in accordance with the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation. The objective is to provide Member States with a detailed specification of the mandates and activities of the United Nations drug control units and the extent and nature of the resources required to implement their responsibilities. The Statement of the Secretary-General on the programme budget implications of the system-wide action plan will be submitted to the General Assembly.

10. The system-wide action plan, as amended to reflect the Economic and Social Council recommendations, details the actions that have been taken by the United Nations system to implement the mandates of the Global Programme of Action, and identifies those activities mandated but not yet or not fully carried out and the resources needed to fully implement all existing and new mandates. In addition, an annual report on international co-operation in drug abuse control has been prepared following the Assembly's request in resolution 34/177. This year that report, which is before the Assembly in document A/45/542, is presented in a modified format structured around the five major chapters of the system-wide action plan which itself is structured according to the chapters of the Comprehensive Multidisciplinary Outline of Future Activities for Drug Abuse Control adopted at the 1987 International Conference on Drug Abuse and Illicit Trafficking. The

change in the format of this report both on the actions taken by the United Nations system to implement the recommendations detailed in the Comprehensive Multidisciplinary Outline and those taken to implement the mandates of the Global Programme of Action.

III. ACTION BY GOVERNMENTS

11. The system-wide action plan reports the activities of the United Nations system only. Paragraph 97 of the Global Programme of Action directs the Commission on Narcotic Drugs and the United Nations drug control bodies to monitor the progress on the implementation of the Global Programme of Action continuously, and the Secretary-General to report annually to the General Assembly also on the efforts of Governments.

12. At its next session, to be held from 30 January to 8 February 1991, the Commission on Narcotic Drugs will have to consider possible ways to monitor the activities of Governments to implement the Global Programme of Action.

13. Action taken by Governments in response to their obligation under the drug control treaties and to the recommendation of the Comprehensive Multidisciplinary Outline are already monitored through the completion of questionnaires.

14. Governments are required by the 1961 Single Convention on Narcotic Drugs as amended by the 1972 Protocol and by the 1971 Convention on Psychotropic Substances to complete a detailed annual reports questionnaire on legislative and administrative measures and socio-economic action, drug abuse and illicit traffic, illicit cultivation, illicit manufacture, and diversion from licit channels.

15. In addition, the Single Convention and the 1971 Convention require Parties to furnish to the INCB yearly estimates and statistical returns on the licit production, consumption, importation and exportation of drugs under international control. When the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances enters into force on 11 November 1990, Parties will have additional reporting requirements.

16. A questionnaire is also submitted to Governments annually on their activities to implement the seven targets of Chapter I, Prevention and Reduction of Illicit Demand in Narcotic Drugs and Psychotropic Substance, of the Comprehensive Multidisciplinary Outline.

17. In view of the number and scope of the questionnaires that Governments are already required to complete, consideration should be given to consolidating and simplifying those questionnaires thereby reducing their number rather than adding a new questionnaire on the action taken by Governments to implement the Global Programme of Action.

IV. CONCLUSION

18. In order for the General Assembly to monitor the implementation of the Global Programme of Action, the Secretary-General is requested to report on action by the United Nations system and Governments taken in response to the Global Programme of Action.

19. The General Assembly might recognize that steps have been taken this year to consolidate in a single document the reports on the actions taken by the United Nations system to implement the Comprehensive Multidisciplinary Outline and the Global Programme of Action. The report on international co-operation in drug abuse control, which is contained in document A/45/542, fulfils the Secretary-General's obligation to report annually on the activities of the United Nations system to implement the Global Programme of Action.

20. Regarding the monitoring of Government's action to implement the Global Programme of Action, the General Assembly might keep in mind the already cumbersome obligations of Governments to answer questionnaires on their activities pursuant to the drug control treaties and the Comprehensive Multidisciplinary Outline. The Assembly might, therefore, request the Commission on Narcotic Drugs at its thirty-fourth session to review existing questionnaires with a view to reducing their number, consolidating and simplifying them.

UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/45/537
26 September 1990

ORIGINAL: ENGLISH

Forty-fifth session
Agenda item 116

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

General accounting framework for financial statements

Report of the Secretary-General

Introduction

1. In paragraph 14 of General Assembly resolution 44/183 of 19 December 1989, the Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes concerned, in consultation with the Board of Auditors, to develop further, with a view to prompt completion, the general accounting framework within which financial statements may be prepared, having regard to the relevant financial regulations and rules and also to generally accepted accounting principles, and to report thereon to the General Assembly at its forty-fifth session.

2. General Assembly resolution 44/183 is an outgrowth of Assembly resolution 43/216 of 21 December 1988, wherein the Secretary-General was requested to explore the possibility of standardizing the presentation and format of financial statements and accounting policies of all audited organizations and programmes. In response to that request, the General Assembly had before it, at its forty-fourth session, a report of the Secretary-General (A/44/537), in which those issues were addressed.

3. In the report of the Secretary-General, it was noted that the Board of Auditors considered the accounts of 12 different United Nations organizations and programmes, including the Joint Staff Pension Fund. As a result of specific administrative arrangements approved by the General Assembly for many of those bodies, including responsibility for maintenance and presentation of accounts, the accounts of 9 of the 12 organizations and programmes are transmitted to the Board of Auditors by officials other than the Secretary-General.

4. The report included a comparative analysis of the presentation and format of the financial statements of those organizations and programmes. It was noted that, for the most part, each organization presented its accounts in accordance with an agreement concluded by the Administrative Committee on Co-ordination, which outlined a desirable form of presentation of financial statements, based on the general principles of clarity, simplicity, meaningfulness and full disclosure. While the basic contents of the financial statements of each organization are mandated by their respective financial regulations and rules, the provision of additional information in the financial statements is, to a large extent, a matter of judgement to be exercised by the executive head in the context of the need for disclosure of significant financial information, the specific observations of the Board of Auditors and the wishes of the legislative body concerned. Notwithstanding these differences, it was concluded in the report that the general framework within which financial statements were prepared was already common to a large extent, and that further work in this area could concentrate on further development of this general accounting framework.

5. During the discussion of the report at the forty-fourth session of the General Assembly, a number of comments were made regarding the need for clarity and conciseness in the presentation of financial information. While differences were noted in the nature and content of financial statements of the respective organizations and programmes, the view was expressed that more should be done to achieve the objectives of clarity, simplicity, meaningfulness and full disclosure, and that accounting policies themselves should be harmonized to the extent possible.

Developments since the forty-fourth session

6. General Assembly resolution 44/183 was adopted only a few days before the end of the financial year or biennium. As a result, most organizations and programmes had already determined the nature of their financial statement presentations, and had issued internal instructions accordingly. This situation limited the opportunity for a co-ordinated response to the resolution among the various programmes in the context of financial statement presentation for the year 1989 or the biennium 1988-1989. None the less, certain changes in presentation may be noted in the financial statements that have been submitted to the General Assembly at its current session. Among these are the following:

(a) United Nations

(i) The financial report of the Secretary-General was completely overhauled, resulting in a document designed to give an overview of United Nations finances under each of the major headings involved (i.e. regular budget, peace-keeping, technical co-operation, trust funds and programme support). The report was issued, in advance of the audited financial statements, on 30 May;

(ii) The statements and schedules relating to regular budget expenditures were streamlined and presented in a format compatible with budgetary submissions;

(iii) More complete information was given than heretofore in respect of the six largest trust funds, all of which had income for the biennium in excess of $10 million (i.e. the Afghanistan Emergency Trust Fund, the United Nations Fund for Drug Abuse Control, the Kampuchean Emergency Trust Fund, the Trust Fund for Disaster Relief Assistance, the United Nations Educational and Training Programme for Southern Africa and the Trust Fund for the Institute for Namibia);

(iv) The addition of four new peace-keeping operations during the biennium required the presentation of additional statements and schedules in order to reflect their respective financial results.

(b) United Nations Development Programme

(i) Statements and schedules relating to the UNDP account have been grouped together and shown separately from the statements and schedules of the trust funds administered by UNDP, thus providing for a more orderly and coherent presentation;

(ii) More complete information was provided as to the nature of expenditure and funds transfers relating to voluntary contributions and contributions to local office costs.

(c) United Nations Children's Fund

The UNICEF statement of cash flows and wider scope of disclosure with regard to the Greeting Card Operation accounts provided more informative financial statements in 1989. During the same year, a Capital Assets Fund recording UNICEF capital assets was established and reflected in a separate statement.

7. In addition to changes already introduced, as noted above, certain initiatives concerning the presentation of financial statements are in progress. For example, there is a proposal under consideration that would change the submission of the accounts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East from an annual to a biennial basis.

8. Other areas in which there is scope for harmonization and standardization in presentation will be the subject of suggestions from the Secretary-General to the programme managers concerned in the context of planning financial statement preparation for the year 1990 or the biennium 1990-1991. These suggestions will be aimed at removing those remaining anomalies in presentation which were identified in the Secretary-General's report to the General Assembly at its forty-fourth session.

9. With regard to substantive issues of accounting policy where differences of approach may still exist between organizations and programmes of the United Nations, the developmental work that is currently under way in the context of the Integrated Management Information System (IMIS) will provide an opportunity for further review and harmonization. While decisions remain to be taken as to the extent to which certain programmes (e.g. the International Trade Centre) will

participate in IMIS, the analysis of accounting policy and procedure being undertaken in the context of IMIS design may be expected to focus sharp attention on remaining differences.

10. A comparative analysis of accounting policies between the organizations and programmes reveals that the differences that will require examination in the context of IMIS design include matters regarding revenue recognition, the nature and extent of operational reserves, and the accounting treatment of deferred charges. The Secretary-General intends to consult with the programme managers concerned and with the Board of Auditors in order to determine to what extent such differences can be eliminated in the interest of consistency and standardization.

UNITED
NATIONS

A S

General Assembly Security Council

Distr.
GENERAL

A/45/538
S/21817
25 September 1990

ORIGINAL: ENGLISH

GENERAL ASSEMBLY
Forty-fifth session
Agenda item 43
QUESTION OF CYPRUS

SECURITY COUNCIL
Forty-fifth year

Letter dated 24 September 1990 from the Permanent Representative of Turkey to the United Nations addressed to the Secretary-General

Further to my letter of 17 July 1990, circulated as document A/44/966-S/21398, I have the honour to submit, enclosed herewith, a letter addressed to you by His Excellency Mr. Özer Koray, Representative of the Turkish Republic of Northern Cyprus, in connection with the Greek Cypriot application for full membership in the European Community (see annex).

I would be grateful if the present letter and its annex were circulated as a document of the General Assembly, under agenda item 43, and of the Security Council.

(Signed) Mustafa AKSIN
Ambassador
Permanent Representative

ANNEX

Letter dated 24 September 1990 from Mr. Özer Koray
to the Secretary-General

I have the honour to attach herewith a supplementary note to the Turkish Cypriot memorandum of 12 July 1990 (which has been circulated as United Nations document A/44/966-S/21398) in relation to the Greek Cypriot "application" for membership of the European Communities.

(Signed) Özer KORAY
Representative of the
Turkish Republic of Northern Cyprus

APPENDIX

Supplementary note to the Turkish Cypriot memorandum of 12 July 1990 on the Greek Cypriot "application" for membership to the European Communities

1. It will be recalled that the Turkish Republic of Northern Cyprus had addressed on 12 July 1990 a memorandum to the Council of Ministers of the European Communities in respect of the Greek Cypriot "application" of 3 July 1990 for membership.

2. In paragraph 2 of that memorandum, it was pointed out "that there are still two separate communities in Cyprus, and a legal background which recognizes the separateness and political equality of these two communities". Furthermore, it was underlined in paragraph 15 of the said memorandum that the Greek Cypriot application for membership was not only a constitutional illegitimacy but also occasioned an international illegitimacy. In view of the fact that the bicommunal Republic of Cyprus came about as the result of international treaties, the question of international illegitimacy clearly arises.

3. An examination of the minutes of the preparatory meetings to the London Conference at the end of which the Zurich and London Agreements were signed on 19 February 1959 (which minutes were recently released by the British Government under its "30 year rule") will show that the parties concerned clearly had in mind the creation of a bicommunal partnership Republic of Cyprus in which the two constituent communities of that Republic, namely the Turkish Cypriot and the Greek Cypriot communities, were to be politically equal. Not only were all the documents, including Treaties and Exchange of Notes, signed by the Representatives of both the Turkish Cypriot and Greek Cypriot communities, but also the extracts given below from the minutes of the preparatory meetings leave no doubt as to the political equality of the two communities.

4. The minutes of the meeting held in London on 11 February 1959 clearly show that both the Foreign Ministers of Turkey and Greece, throughout the discussions, had considered it proper that the representatives of the two communities should participate at all the stages leading to the establishment of the partnership Republic. For example, paragraph 49 of the minutes shows that the then Foreign Minister of Greece, Mr. Averoff, rightly insisted "that it was indispensable that the conference should be between the three governments and representatives of the two communities".

5. A careful examination and analysis of the various legal documents establishing the joint Republic of Cyprus in 1960, and the recently disclosed minutes of the meetings and conferences leading thereto, can leave no doubt that the state of affairs created by the documents in question, including the international Treaties and the Constitution of the new Republic, is one of political equality and equal constituent status of the two communities or two peoples.

6. Furthermore, the above-mentioned minutes, also throw light on, and underline, some of the well-known and indisputable sui generis features of the 1960 Cyprus settlement:

(a) In the paragraph beginning at the foot of page 3 of the minutes of the meeting of 13 February 1959, and continuing on page 4, both Mr. Averoff and Mr. Zorlu stressed, inter alia, that Greece and Turkey, vis-à-vis Cyprus, were not to be "regarded as Colonial Powers but as the Cypriots' two mother countries".

(b) In the same paragraph, it is also stressed by the two Foreign Ministers that "the present settlement would be based not on the British Government granting a Constitution to the island but on their signing an international treaty under which they would recognize the existence of the new Cypriot State together with its Constitution. The position under international law was that the United Kingdom was agreeing with Greece and Turkey to guarantee an independent State of Cyprus and the maintenance of certain essential elements in its Constitution".

(c) In paragraph 26 of the minutes of 11 February 1959, Mr. Averoff, in reply to a question by the British Foreign Secretary, drew attention to a unique feature of the proposed settlement, by pointing out "that in theory the Republic of Cyprus would be free to conduct foreign policy, but in practice the mechanism of the veto would ensure that foreign policy was conducted only in agreement with Greece and Turkey. He described the new régime as a joint Greek-Turkish adventure".

7. The recently disclosed minutes of the meetings leading to the establishment of the Republic, also throw some very interesting light on the point made in paragraph 16 of the Turkish Cypriot memorandum of 12 July 1990. As pointed out in that paragraph, the clear wording of the second paragraph of Article I of the 1960 Treaty of Guarantee prohibits, inter alia, the participation of the Republic of Cyprus "in whole or in part, in any political or economic union with any state whatsoever".

8. The following extracts from the minutes of the preparatory meetings held in London positively identify that the parties to the 1960 settlement had definitely intended to exclude the possibility of the economic union of Cyprus with any other country and it is interesting to note that both Mr. Averoff and Mr. Zorlu stressed this point.

(a) In the last complete paragraph on page 4 of the minutes of the meeting held on 12 February 1959, it is recorded that "M. Averoff and M. Zorlu said that the maintenance of Commonwealth Preference would not be excluded. The intention was to exclude more favourable bilateral agreements between Cyprus and countries other than the Three Powers, and also to avoid the possibility of either Greece or Turkey securing a more favourable economic position in Cyprus than the other - of Greece, for example, establishing a kind of economic enosis".

It is noteworthy that this almost prophetic statement was made at a time when the European Communities, in their present form, were not yet in existence.

(b) In the first paragraph of page 2 of the minutes of the meeting held on 12 February 1959 "M. Zorlu and M. Averoff both made it clear that there would be no objection to Cypriot membership of international associations of which both Greece and Turkey were members; e.g. the Postal Union, and any Free Trade Area".

The well-intentioned desire expressed in paragraph 19 of the Turkish Cypriot memorandum as to future membership of the EC of a legally constituted State of Cyprus should be read in the light of this reference.

9. It should also be noted that paragraph 23 of the Zurich and London Agreements of 19 February 1959, provides that "The Republic of Cyprus shall accord most-favoured-nation treatment to Great Britain, Greece and Turkey for all agreements whatever their nature".

10. It will be seen, therefore, that the second paragraph of Article I of the 1960 Treaty of Guarantee, has been incorporated in that Treaty, in order to give effect to, and to meet the requirements of, the points referred to above. That is why the need had been felt to refer specifically in that Article to "economic union" as well as to "political union".

11. It is for this reason that in paragraph 15 of the Turkish Cypriot memorandum of 12 July 1990, emphasis was laid, not only on the "constitutional illegitimacy" of the Greek Cypriot application for full membership of the EC, but also on the indisputable fact that the Greek Cypriot application also "occasions an international illegitimacy", having regard to the international treaties which gave birth to the 1960 state of affairs, as further elucidated by the minutes of the meetings leading thereto.

3 September 1990

UNITED NATIONS

A

General Assembly

Distr.
GENERAL

A/45/539
18 October 1990

ORIGINAL: ENGLISH

Forty-fifth session
Agenda item 34

POLICIES OF APARTHEID OF THE GOVERNMENT OF SOUTH AFRICA

International financial pressure on the apartheid economy of South Africa

Report of the Secretary-General

CONTENTS

		Paragraphs	Page
I.	PREFACE	1 - 2	3
II.	ACTION BY THE UNITED NATIONS AND INTERGOVERNMENTAL ORGANIZATIONS CONCERNING FINANCIAL PRESSURE ON SOUTH AFRICA	3 - 16	3
III.	SOUTH AFRICA IN INTERNATIONAL FINANCE AND ITS FOREIGN DEBT	17 - 52	6
	A. The structure of the external balance	17 - 32	6
	B. Balance of payments and capital flows	33 - 38	11
	C. Recent trends in South Africa's foreign debt	39 - 52	15
IV.	SOUTH AFRICA'S ACCESS TO TRADE CREDITS AND RESTRICTIVE MEASURES	53 - 90	18
	A. The role of trade credits and loan insurance in the financing of international trade	53 - 59	18
	B. The provision of trade credits and trade credit insurance to South Africa	60 - 67	19

CONTENTS (continued)

		Paragraphs	Page
C.	South Africa's main trading partners: access and restrictions	68 - 77	24
D.	Other trading partners: access and restrictions	78 - 84	26
E.	The private sector	85 - 90	27
V.	THE EFFECTIVENESS OF THE MEASURES ADOPTED	91 - 104	29

I. PREFACE

1. The present report has been prepared in response to General Assembly resolution 44/27 E of 22 November 1989, in which the Assembly requested the Secretary-General to submit to its forty-fifth session a report on financial links of Governments and private financial institutions with South Africa. In that resolution, the Assembly, noting South Africa's dependence on external credits and loans, regretted and deplored that international banks had reached agreement with South African authorities to reschedule a substantial proportion of South Africa's external debt for a further period of three and a half years from 1 July 1990; urged Governments and private financial institutions to deny new bank loans to South Africa, and called on Member States to restrict the provision of trade credits by reducing maximum credit terms to 90 days; and called on those States which continue to trade with South Africa to take South Africa "off cover" for insurance purposes at official export credit agencies.

2. The present report surveys the measures that have been adopted by Member States to restrict trade credit for South African trade, as well as action undertaken by the United Nations and intergovernmental organizations concerning financial pressure on South Africa. The report provides a brief review of South Africa's role in the international financial system, explaining the nature and scale of its dependence on external sources of finance. It offers an analysis of its current debt position and the economic and financial measures pursued by the South African authorities to cope with it. The third rescheduling agreement on South African debt, announced on 18 October 1989, is described in some detail, along with an analysis of its actual impact on the economy of South Africa. The report also provides a framework for understanding the operation of trade credits and surveys the measures to restrict trade credits for South Africa that have been adopted by individual Member States, concentrating on those States which have a substantial trading relationship with South Africa. Based on the available data, the international banking sector's involvement in the provision of trade credits to South Africa is also surveyed. Finally, the effectiveness of the measures is discussed, along with a brief account of the impact that a rigorous application of such credit restrictions could have on the South African economy.

II. ACTION BY THE UNITED NATIONS AND INTERGOVERNMENTAL ORGANIZATIONS CONCERNING FINANCIAL PRESSURE ON SOUTH AFRICA

3. In 1962 the General Assembly, in its resolution 1761 (XVII) of 6 November 1962, first called on Member States to adopt economic measures against South Africa in order to assist in the abolition of apartheid. Since then, the Assembly has adopted numerous resolutions calling for the adoption of financial measures against South Africa, that is, the denial of loans and trade credit. In 1966 for the first time the General Assembly, in its resolution 2202 (XXI) of 16 December 1966, called on Member States to discourage the provision of loans by their national banks to the Government of South Africa or to South African companies. In 1985, after the imposition of a state of emergency in South Africa,

the General Assembly, in its resolution 40/64 A of 10 December 1985, requested all States to adopt legislative and/or comparable measures to enforce the prohibition of financial loans to and investments in South Africa and the sale of krugerrands, as well as the withdrawal of investments from that country. In the same year, the Security Council (resolution 569 (1985)) also urged all Member States to prohibit the sale of krugerrands and to suspend the provision of guaranteed export loans to South Africa.

4. In 1989 the General Assembly, in its resolution 44/27 E, again urged Governments and private financial institutions to deny new bank loans to South Africa, whether to the public or private sectors, and to restrict the provision of trade credits and cease loan insurance, in particular, (a) by reducing the maximum credit terms to 90 days and (b) by taking South Africa "off cover" with official government export credit agencies.

5. In summary, the General Assembly has recommended that all Governments adopt specific financial measures against South Africa, including:

(a) The prohibition of new loans and commercial credits;

(b) The cessation of all promotion of and support for trade with South Africa, including the extension of any inducements, credits, guaranties or other incentives with respect to exports to South Africa.

6. In addition, the United Nations has called for a strict monitoring of the implementation of these measures and the imposition of penalties for violations.

7. City and local authorities of Member States have been called upon to withdraw accounts from banks or investments from companies that collaborate with the Government of South Africa and to deny contracts or facilities to financial institutions involved in that country.

8. Similarly, specialized agencies and other intergovernmental organizations have been called upon to withhold facilities or investment of funds from banks, financial institutions or corporations that provide loans to South Africa and to deny contracts or facilities to financial institutions that collaborate with that Government.

9. At the request of the Economic and Social Council, the Secretary-General in 1989 convened a panel of eminent persons to hold public hearings and to consider expert testimony on the situation in South Africa (Geneva, 4-6 September 1989). The primary aim of the hearings was thus to examine the process of change that is under way in South Africa and to investigate actions that the international community could take through sanctions and other means - directly and through transnational corporations - to accelerate the abolition of apartheid and to contribute positively towards the better functioning of a post-apartheid society in South Africa. These hearings, organized by the United Nations Centre on Transnational Corporations, built on an earlier exercise, which was conducted by a panel of eminent persons chaired by the Rt. Hon. Malcolm Fraser, former Prime Minister of Australia. Those hearings were held in New York in September 1985 and resulted in a comprehensive set of recommendations that was submitted to the

Economic and Social Council in 1986 and afterward presented to the General Assembly by the Chairman of the panel. The panel of eminent persons established to conduct the second hearings 1/ urged that, among other things:

(a) Official export credit agencies, such as the United Kingdom Export Credit Guarantee Department, take South Africa risk "off cover" and keep it off cover;

(b) National regulatory agencies and the Bank for International Settlements (BIS) review their provisioning requirements for South African exposure with a view to reflecting the country's deteriorating credit worthiness;

(c) National authorities ensure that any trade credits given to South Africa by their banks be of very short duration - no more than 90 days - so as both to reflect the country's deteriorating credit worthiness and to maintain continuous pressure on the South African authorities;

(d) Governments (particularly the Government of Switzerland) forbid South African authorities from raising money either through gold swaps or through sales of gold in the forward market.

10. The United Nations Commission on Transnational Corporations, in its latest resolution, also called upon all multilateral financial and development institutions to cease immediately any kind of support or other forms of collaboration with South Africa. 2/

11. The Committee on Action against Apartheid of the International Labour Conference in 1988, and subsequently in 1989 and 1990, urged Governments to refuse to roll over loans and to deny new loans and trade credits as well as credit guarantees to South Africa. 3/ In 1989 the International Labour Organisation (ILO) established a group of independent experts to monitor the implementation of sanctions and other action against apartheid throughout the world. This group was set up in compliance with the conclusions drawn up by the Committee on Action against Apartheid at the seventy-fifth session (1988) of the International Labour Conference. The group decided to place emphasis on studies concerning an embargo on South African coal, effective financial sanctions and the severance of air links with South Africa. At this time the group has already considered a preliminary study on the subject of financial sanctions.

12. For several years now the International Monetary Fund (IMF) and the World Bank have not made loans to South Africa. Although the country is still a member of both organizations, it has not been represented since 1974 on either board of governors, having therefore no say in their policies. Moreover, the United States Domestic Housing and International Recovery and Stability Act of 1983 includes a clause requiring the United States Director of IMF to vote against requests for drawing rights from the Fund in excess of quota by countries practising apartheid. South Africa drew down funds in 1982, which were repaid by 1987. In the past South Africa has received several project loans from the World Bank, the last of which was fully repaid in 1976. Currently it does not qualify as a potential borrower. Both IMF and the World Bank continue to monitor economic and social developments in South Africa.

13. The member States of the Commonwealth, at the meeting of the Heads of Government in Nassau in 1985, recommended a comprehensive package of economic measures against South Africa, including a prohibition on government loans. At the meeting of the Heads of Government at Kuala Lumpur in 1989, they agreed, with the exception of the United Kingdom of Great Britain and Northern Ireland, that these measures should be tightened. To this end, they proposed that member Governments should call on all banks and financial institutions to reduce trade credit loans to a maximum of 90 days duration and to have all official export credit agencies take South Africa off cover for trade credit insurance purposes.

14. The Organization of African Unity (OAU) has consistently called on its members to adopt comprehensive and mandatory sanctions against South Africa. In particular, in 1986 (resolution CM/Res.1019 (XLIII)), its Council of Ministers called on banks that rescheduled South African debt to seize South African assets abroad, while at its fiftieth ordinary session, held at Addis Ababa in 1989, it urged the international banking community not to reschedule Pretoria's foreign debt (resolution CM/Res.1207 (L)).

15. The Movement of Non-Aligned Countries, within the context of its call for comprehensive and mandatory sanctions against South Africa, has called for the adoption of financial sanctions. Specifically, at the Conference of its Foreign Ministers, which was held in Luanda in 1985, it urged all national and international financial institutions to cease their assistance to South Africa (see A/40/854-S/17610 and Corr.1). Furthermore, at the Conference of Heads of States held at Harare in 1986, the Movement requested the cessation of financial loans and of any governmental insurance guarantee of credits to Pretoria (see A/41/697-S/18392).

16. These proposals all have been made in the belief that they will exert pressure on the South African authorities in such a way as to hasten the abolition of apartheid. The grounds for this expectation appear to be in the general dependence of the South African economy on international trade and capital markets. The evidence for this dependence lies in the structure of the South African balance of payments and also in the stabilization and structural adjustment policies that the South African authorities have adopted in recent years. These matters are dealt with in chapter III.

III. SOUTH AFRICA IN INTERNATIONAL FINANCE AND ITS FOREIGN DEBT

A. The structure of the external balance

17. South Africa, like other primary commodity producing countries, has an open economy. In 1989 imports of goods and services accounted for more than 25 per cent of total gross domestic product (GDP), while exports accounted for 33 per cent. The economy is therefore vulnerable to a slowdown in the world economy and to changes in international commodity prices.

18. More specifically, South Africa is heavily dependent on exports of primary commodities to the industrial economies, in particular precious metals and

minerals, with gold providing approximately one third of total export revenue (down from 44.5 per cent in 1980) and manufactured exports representing another third of the total.

19. The manufacturing sector accounted for 23.3 per cent of GDP in 1970, but has largely stagnated since, growing only to 24.1 per cent of GDP by 1988. Expansion of the domestic economy can be achieved only through the import of capital equipment and intermediate goods, which together constitute almost 80 per cent of total imports.

20. As a result, although South Africa has some of the features of a "newly industrializing country", it would perhaps be truer to define it as an unusually highly developed exporter of primary products, which has failed to emerge as a significant producer of manufactured goods. This failure is in turn related to the structural features of the South African economy. One sector is characterized by high incomes, high levels of domestic consumption, advanced welfare and service industries, and substantial ownership of capital. The other sector is characterized by low incomes, low levels of domestic consumption, poorly developed welfare and service industries, and negligible capital ownership. This sector of the economy is also subject to increasingly high levels of structural (long-term) unemployment and widespread poverty.

21. In the past, South Africa's current account position - the balance between imports and exports of goods and services - reflected its business cycle, with alternate surpluses and deficits. Whenever the economy grew faster than about 3 per cent per year, imports increased rapidly.

22. Furthermore, there has been a marked tendency over the past few decades for the capital intensity of production to increase, implying a growing reliance on imported capital goods. In periods of sluggish growth, however, import volumes declined, allowing the current account to move into surplus - or the deficit to decline.

23. In the past this pattern was noticeably stable. During an upswing of the business cycle, current account deficits were financed from abroad. High rates of growth and high profits made South Africa an attractive focus for foreign portfolio and loan investment, generating a surplus on the capital account. During a downswing, current account surpluses would allow for deficits on the capital account. Monetary and fiscal policy measures taken by the Government were aimed at producing the appropriate adjustments.

24. However, as a result of South Africa's foreign exchange crisis of 1985, this situation changed sharply. In the absence of any significant new capital inflows, the Government of South Africa has been forced to adopt policies designed to generate a continuing substantial current account surplus in order to meet debt repayment obligations.

25. In the period 1985-1989 (see table 1), annual GDP growth averaged only 1.5 per cent, and the stronger growth experienced in 1988 (3.7 per cent) clearly highlighted the external constraint, with imports growing by 22.5 per cent and a current account surplus diminished by half. The fragility of the external balance

Table 1. South Africa: Percentage growth in selected components of gross domestic product, 1985-1989

(at constant 1985 prices)

	1985	1986	1987	1988 First quarter	1988 Second quarter	1988 Third quarter	1988 Fourth quarter	1988 Yearly average	1989 First quarter	1989 Second quarter	1989 Third quarter	1989 Fourth quarter	1989 Yearly average
Private consumption	-3.6	0.8	3.7	4.9	4.6	5.7	6.3	4.9	1.9	1.3	0.2	0.6	2.9
Government consumption	3.4	2.2	3.9	20.6	-14.2	-9.7	3.2	1.6	42.0	-6.3	-7.9	-5.3	4.6
Gross domestic fixed investment	-7.2	-17.9	-2.4	12.6	11.2	6.9	2.0	8.6	5.6	4.6	0.6	-3.2	4.0
Gross domestic expenditure	-7.8	0.1	4.1	25.0	1.5	-6.3	0.4	7.6	6.1	-1.3	-7.5	-7.2	-0.8
+ Exports	10.1	-1.4	-2.6	-5.0	12.0	26.3	19.4	5.7	-14.5	52.3	-12.7	-0.8	9.5
- Imports	-14.8	-2.6	3.9	79.2	8.9	-10.6	11.0	22.5	-5.6	51.1	-38.4	-20.7	0.1
Gross domestic product	-0.8	0.3	2.1	5.5	2.5	3.9	3.4	3.7	2.1	1.3	1.1	-1.5	2.1

Source: South African Reserve Bank Quarterly Bulletin, March 1990.

/...

and the continued weakness of domestic saving and investment led the Government to tighten its domestic policy in order to slow down the economy. The result was a modest 2.1 per cent GDP growth in 1989 and a halt to growth in imports (0.1 per cent).

26. Over the same period (1985-1989), private and public (government) consumption were the substantial factors in the growth of GDP. Fixed investment growth, which declined every year from 1981 to 1987, has made only a modest recovery in the last two years (see table 1).

27. The South African authorities' attempts to employ monetary policy to limit inflation have met with only partial success. Until the first quarter of 1989 this policy was subject to short-term changes for other considerations. Also, up to mid-1988, frequent and sharp adjustments in interest rates (see table 2) resulted in variations in the velocity of circulation of money, which in turn made the attainment of monetary targets more difficult. As a result of repeated overshooting of the targets, the effectiveness of the Government's policy was seriously questioned.

28. Since the first quarter of 1989, however, the Government of South Africa has pursued a different economic strategy consisting of (a) medium-term stabilization policies, and (b) long-term structural adjustment policies. Stabilization policies include high interest rates to encourage savings and to restrain consumption; a stable targeted monetary policy with the aim of reducing inflation; a reduction of the budget deficit to 3 per cent of GDP, making the Government neutral in terms of savings.

29. Structural adjustment policies include an ambitious programme of privatization, the deregulation of the financial system, a new general export incentive scheme and reform of the tariff structure. The aim is to stimulate growth through the creation of an environment more conducive to market-oriented strategies by the private sector.

30. Both aspects of the strategy reflect the influence of liberal economic theory, though the degree of state interventionism appears to be far greater in South Africa than in developed countries elsewhere that have adopted similar policies in recent years. The primary objective of this strategy is to ensure that the growth created is export-led, particularly in manufacturing, and through the beneficiation of primary commodities. A secondary objective is to devise an "inward industrialization" that would concentrate development on the promotion of labour-intensive activities with a low import content.

31. With the exception of the first quarter of 1988, the current account of the balance of payments has been in surplus since 1985 (see table 3). Despite the international trade sanctions imposed since 1985, exports have performed positively, partly because mining products seem to be less responsive to sanctions. This may also reflect South Africa's attempts to diversify into new markets, although the extent of its success in this respect has been limited. Except for the temporary acceleration experienced in 1988, imports were kept low primarily by the tight economic policies dictated by the necessity to curb domestic demand to ensure a current account surplus.

Table 2. South Africa: Changes in selected prices and exchange rates, 1985-1989

	1985	1986	1987	1988 First quarter	1988 Second quarter	1988 Third quarter	1988 Fourth quarter	1988 Yearly average	1989 First quarter	1989 Second quarter	1989 Third quarter	1989 Fourth quarter	1989 Yearly average
Consumer prices (percentage)	16.2	18.6	16.1	13.8	13.0	12.3	12.3	12.9	13.6	15.0	15.1	15.1	14.7
Interest rates (prime lending rates) (percentage)	21.5	14.3	12.5	13.3	14.7	16.0	17.3	15.3	18.7	19.7	20.0	21.0	19.8
Real effective exchange rate (1985 = 100)	100.0	92.2	104.1	103.2	97.8	96.3	96.0	98.3	98.4	97.1	97.6	101.7	98.7
$US/rand exchange rate	0.4564	0.4408	0.4914	0.4881	0.4531	0.4111	0.4168	0.4423	0.4068	0.3753	0.3655	0.3811	0.3822

Source: IMF, International Financial Statistics, May 1990, and South African Reserve Bank Quarterly Bulletin, March 1990.

Table 3. South Africa: Current account of the balance of payments, 1985-1989 a/

(Millions of rands)

	1985	1986	1987	1988 First quarter	1988 Second quarter	1988 Third quarter	1988 Fourth quarter	1988 Yearly average	1989 First quarter	1989 Second quarter	1989 Third quarter	1989 Fourth quarter	1989 Yearly average
Merchandise exports fob	20 465	25 048	25 146	26 300	29 282	33 830	36 476	31 472	34 560	44 320	40 610	38 730	39 555
Net gold output	15 460	16 719	17 792	18 530	19 948	20 230	19 780	19 622	18 970	18 150	19 670	20 122	19 228
Merchandise imports fob	23 045	25 514	28 320	36 780	38 310	40 070	41 520	39 170	42 150	49 580	43 930	40 872	44 133
+ Service receipts	5 796	6 222	6 453	6 923	6 705	8 058	8 330	7 504	8 690	9 230	9 770	9 498	9 297
- Service payments	13 109	15 664	15 350	15 460	16 394	17 701	17 973	16 882	17 690	20 690	20 900	22 244	20 381
Current account balance	5 925	7 196	6 152	-58	1 748	4 620	5 446	2 939	2 710	1 970	5 840	5 868	4 097

Source: South African Reserve Bank Quarterly Bulletin, March 1990.

a/ Seasonally adjusted annual rates.

/...

32. Invisible transactions in the current account are constantly in deficit, the receipts from services covering less than half of payments. However, dividend and profit remittances as a proportion of export earnings have declined by almost half in the 30 years from 1956 to 1985.

B. Balance of payments and capital flows

33. The capital account of the balance of payments consists of the flows of capital in the form of investment and loans. Investment may be financed through either equity or debt. From the end of the Second World War until the mid-1970s domestic savings replaced foreign capital as the principal source of investment. 4/ As a recent study points out, "nearly 88 per cent of the $11 billion increase in the value of foreign direct investment between 1956 and 1980 was due to reinvested or retained earnings, and less than 13 per cent was due to new capital inflows from abroad". 5/ Reflecting this fact, the nature of foreign investment in South Africa changed from the mid-1950s. Whereas in 1956 long-term equity investment represented 75 per cent of foreign investment in South Africa, by 1985 foreign investment mostly took the form of debt, and in particular short-term debt, which in 1985 constituted fully 40 per cent of all South Africa's external liabilities 6/ (see table 4). Most of this debt was accumulated in the period 1980-1985, a period that coincided with a sharp decline in the world price of gold, high rates of domestic price inflation and, particularly in the second half of 1984, a sharp depreciation in the value of the rand on foreign exchange markets.

34. Between 1980 and 1984, external debt increased by 50 per cent in dollar terms (up from $US 16.9 billion to $24.3 billion) but by almost 400 per cent in rand terms (from R 12.6 billion to R 48.2 billion) as a result of this depreciation. In the same period, external debt as a proportion of GDP rose from 20.3 to 45.7 per cent.

35. Much of the increase in borrowing was accounted for by the private sector, owing in part to the development of the Eurocurrency market and in part to the search by local business for lower interest rates. By the time of the financial crisis in 1985, approximately 72 per cent of South Africa's loan debt was in short-term instruments of various kinds, much of it inter-bank borrowing. Even so, the quantity of debt, both measured against GNP and compared with other countries, was not large. What South Africa had was a liquidity crisis.

36. As part of the solution to the crisis, in 1985 South African authorities reintroduced a dual exchange rate. 7/ The system involves a commercial rand exchange rate for all transactions included in the current account (imports, exports and invisibles) and for foreign loans. All other capital account transactions, including foreign portfolio investments in South African equities, the repatriation of disinvestment proceeds and the movement of capital by migrants, take place through a lower, floating financial rand exchange rate. The financial rand exchange rate is thus determined by the balance of supply and demand, which acts as an incentive for foreign investments while discouraging the repatriation of foreign assets. It also insulates the commercial exchange rate used for most

Table 4. South Africa: Changes in external debt, end August 1985-end 1988

(Millions of United States dollars)

	External debt outstanding at			Changes in external debt between end August 1985 and end 1988	
	End August 1985	End 1988	End 1988		
	1	2	3	4	5
	(Valued at current exchange rates)	(Valued at current exchange rates)	(Valued at end August 1985 exchange rate)	(1-2)	(1-3)
Outside the net:					
Banking sector	1 317	517	486	-800	-831
Public sector	5 948 a/	5 600	4 386	-348	-1 561
Private sector	2 828	2 519	2 098	-309	-730
Medium- and long-term loans	-	3 476	3 436	3 476	3 436
Total	10 093	12 112	10 406	2 019	313
Inside the net:					
Public sector	2 692	2 815	2 377	123	-315
Banking sector	8 814	4 949	4 754	-3 865	-4 060
Non-bank private sector	2 122	1 309	1 032	-813	-1 090
Total	13 628	9 073	8 163	-4 555	-5 465
Grand total	23 721	21 185	18 569	-2 536	-5 152

Source: South African Reserve Bank Quarterly Bulletin, March 1990.

a/ Approximately 60 per cent of this amount is believed to consist of bearer bonds.

/...

transactions from the pressure deriving from an upsurge of disinvestment; such pressure, born entirely by the financial rand exchange rate, is self-limiting in the sense that depreciation of the rate reaches a point where further disinvestment would no longer be attractive.

37. The level of the discount, that is the ex ante excess of supply of financial rand by those withdrawing from the South African economy over the demand for the currency by new investors and immigrants, represents a proxy for an index of foreign business sentiment. The discount reached a peak (52 per cent) in 1986 when the financial rand was worth less than half the commercial rate, stabilized at a level of 38 per cent during the following two years, and fell to 29 per cent in 1989.

38. Unlike disinvestment, commercial loans, their servicing and repayment, all take place at the commercial rand exchange rate. They therefore are an important consideration in the overall balance of payments. Recent trends in South Africa's foreign debt and their economic policy implications are examined in the next section. Here it should be noted that the large capital outflows experienced by the country during the 1985-1989 period reduced the already low level of official gold and foreign reserves, forcing the central bank to costly purchases of foreign exchange through forward dealing (table 5). It is estimated that in the same period total reserves were the equivalent of between a maximum of 13 weeks and a minimum of 6 weeks of import cover.

Table 5. South Africa: Capital account of the balance of payments, 1985-1989

(Millions of rands)

	1985	1986	1987	1988 First quarter	1988 Second quarter	1988 Third quarter	1988 Fourth quarter	1988 Yearly average	1989 First quarter	1989 Second quarter	1989 Third quarter	1989 Fourth quarter	1989 Yearly average
1. Net long-term capital	-445	-3 060	-1 698	-287	-715	-275	175	-1 102	-395	-728	179	-281	-1 225
2. Net short-term capital	-8 786	-3 037	-1 371	-475	-1 494	-2 259	-1 216	-5 444	-1 456	-752	-678	-1 445	-4 331
Public authorities	75	-71	8	-50	-10	-	1	-59	6	10	26	-	42
Public corporations	-157	-224	-40	27	-10	90	-72	35	40	185	-100	-28	97
Non-bank private sector	-8 704	-2 742	-1 339	-452	-1 474	-2 349	-1 145	-5 420	-1 502	-947	-604	-1 417	-4 470
3. Net capital movements (1 + 2)	-9 231	-6 097	-3 069	-762	-2 209	-2 534	-1 041	-6 546	-1 851	-1 480	-499	-1 726	-5 556
4. Current account balance	5 925	7 196	6 152	924	-287	1 408	894	2 939	1 432	312	934	1 419	4 097
5. Change in net gold and other foreign reserves (3 + 4)	-3 306	1 099	3 083	162	-2 496	-1 126	-147	-3 607	-419	-1 168	429	-307	-1 465
6. Change in liabilities related to reserves a/	2 071	-2 283	-1 167	-13	1 668	586	-316	1 925	904	1 995	206	-250	2 855

Source: South African Reserve Bank Quarterly Bulletin, March 1990.

a/ Usually short-term purchases of foreign exchange through forward sales of gold, or some other security, to buttress the reserves. A minus sign denotes a decrease in this form of debt.

/...

C. Recent trends in South Africa's foreign debt

39. South Africa is not a major international debtor and its difficulties with its international debt are different in substance from those of other debtor countries. 8/ However, since its financial crisis of August 1985, when the Government found itself compelled to institute a unilateral moratorium on the capital repayment of a substantial proportion of its international commercial debt, its debt has been subject to periodic rescheduling; moreover, South Africa has been almost completely excluded from international capital markets for any credits other than those associated with trade. 9/

40. South African policy since 1985 has, therefore, been directed at satisfying its international creditors in the expectation that by doing so it may, in due course, gain readmission to international financial markets. In pursuit of this objective the Government has:

(a) Negotiated three successive rescheduling agreements with the international banks that are the principal holders of South African debt "inside the net" of the moratorium;

(b) Sought to pursue domestic economic policies which could yield maximum economic growth compatible with meeting its debt obligations.

41. The three debt rescheduling agreements covered the periods: 1 April 1986 to 30 June 1987; 1 July 1987 to 30 June 1990; and 1 July 1990 to 31 December 1993.

42. The size and distribution of South Africa's external debt are set out in table 4.

43. Of the $13.6 billion caught inside the net in 1985, approximately $1.8 billion has been repaid under the terms of the first two rescheduling agreements. It is worth noting that South Africa has not missed a payment under the agreements; it has continued to repay debt that was excluded from the moratorium and it has continued to service all its debt. In the case of the rescheduled debt, interest rates have been about 1 per cent above the level contracted before the moratorium.

44. In addition, approximately $4 billion has been removed from the net by the agreement made by some holders of debt to accept an exit option under which a frozen asset is converted to a 10-year loan. Under the terms of these loans no capital is repaid for the first 5 years, but thereafter it is repaid in full in 10 equal 6-monthly instalments. It is not possible to know exactly when individual creditors decided to take this option, but it seems probable that although some repayments will fall due from 1992, the bulk of them will begin in late 1993.

45. As table 4 shows, exchange rate movements since 1985 had the effect of increasing the dollar value of the outstanding rescheduled debt by about 12.5 per cent from $8 billion to $9 billion at the end of 1988.

46. Under the third rescheduling agreement, which was announced on 18 October 1989, and which came into force on 1 July 1990, South Africa is committed to repaying a further 20.5 per cent of the outstanding capital according to the schedule set out in table 6.

47. Under the agreement, creditors continue to receive the slightly higher interest rate. Terms for the exit option have been changed from those offered under the second interim agreement, however. South Africa now proposes that any creditor opting to convert debt into a 10-year loan will be paid until the end of 1993 (i.e. the end of the third interim agreement) at the same rate as for holders of frozen debt. Thereafter there will be a period of 4 years in which no capital repayments will be made, but after that the outstanding debt would be completely repaid over 30 months in 5 equal 6-monthly instalments.

48. Under the circumstances that currently prevail, approximately $6 billion will still be frozen at 31 December 1993 and require further rescheduling. As table 4 shows, rescheduled debt under the interim agreement does not cover all of South Africa's external debt obligation. There is also the debt outside the net, which is composed largely of bonds and official trade agency debt. One recent estimate of the immediate repayment schedule for this debt is included in table 7.

49. Other types of debt were excluded from the moratorium. As regards trade agency debt, the main reason for its exclusion was that the South African authorities expect to repay frozen and other debt by running a sufficiently large surplus on their current account of the balance of payments. Repudiating trade-related debt, which would have invited exclusion from further trade credit, was incompatible with this strategy. As regards bearer bonds (the majority of which are believed to be held by investors from Germany, Switzerland and the United Kingdom of Great Britain and Northern Ireland), the explanation is more complex, but undoubtedly is connected to the desire not to alienate creditors whose future support will be beneficial to the economy.

50. However, faced with the possibility of difficult rescheduling negotiations in 1989 and with a potentially difficult surge of debt falling due in 1990, South African authorities are believed to have sought the rescheduling of some of the bond debt. Information gathered through informal sources suggests that in 1989 some European banks agreed to assist South African authorities in rolling over bonds valued at approximately $140 million. The new bonds have a life of three years to 1992 and are at significantly higher interest rates. Bond holders have a six-monthly put-option (i.e. each holder can decide twice a year whether to demand immediate repayment in full). Holders of approximately half of the bonds, worth $70 million, are believed to have agreed to the conversion. Whether any of these have since exercised the put-option is not known.

51. This exercise seems to have been a testing of the waters prior to the completion of the third rescheduling agreement. Had this agreement proven more difficult to reach or had other factors made repayment of the 1990 external debt problematic, a more substantial bond conversion exercise might have been attempted. This exercise remains a policy option for the South African authorities if they should encounter debt repayment difficulties in the immediate future.

Table 6. South Africa: Estimates of capital repayments under the third rescheduling agreement with creditors, October 1989

Payment date		Principal repayment (percentage)	Millions of United States dollars
1990	December	1.5	120
1991	February	2.5	197
	August	3.0	230
1992	February	3.0	224
	August	3.0	217
1993	February	3.0	210
	August	3.0	204
	December	1.5	99
	Total	20.5	1 502

Source: United States General Accounting Office, "South Africa: Debt Rescheduling and Potential for Financial Sanctions, Briefing Report to Congressional Requesters", Washington, D.C., February 1990, (GAO/NSIAD-90-109BR), p. 5.

Table 7. South Africa: Estimates of total debt repayments, 1990-1993

(Millions of United States dollars)

Type of payment	1990	1991	1992	1993
Principal of frozen debt	240 a/	427	441	513
Principal of other debt	1 400	700	700	600
Total	1 640	1 127	1 141	1 113

Source: United States General Accounting Office, "South Africa: Debt Rescheduling and Potential for Financial Sanctions, Briefing Report to Congressional Requesters", Washington, D.C., February 1990, (GAO/NSIAD-90-109BR), p. 5.

a/ Includes final payments due under the second interim agreement, 15 June 1990.

52. The policy objective of the South African authorities in the debt rescheduling negotiations, conversion of bond debt, repayment of trade-related credits and proposals on debt conversion to 10-year terms is to produce a situation of stability in which the country's debt obligations are (a) clearly known by the authorities for some years ahead; and (b) in so far as possible, smooth from one year to the next. As table 7 indicates, these objectives have been more or less achieved. Furthermore, any frozen debt that is converted to 10-year loans from now on will, because of the way principal repayments are spaced, contribute to smooth further debt repayment obligations into the late 1990s. Whether the achievement of this objective has lessened the pressure on the Government for reform, which observers agree was being exerted by South Africa's debt problem, is a matter taken up in chapter V.

IV. SOUTH AFRICA'S ACCESS TO TRADE CREDITS AND RESTRICTIVE MEASURES

A. The role of trade credits and loan insurance in the financing of international trade

53. International trade in the modern world developed on the basis of a system of credit finance and insurance. These services helped to minimize risk in the context of uncertainty and to smooth financial transactions associated with trade. Although their importance in the contemporary world varies, partly according to the level of development of a trading country's economy, and partly according to other factors such as its socio-political stability, the need for trade credit finance and related insurance remains strong.

54. Trade credit finance and insurance may be provided by any financial agency that chooses to offer them. In practice, however, the great bulk of the business conducted in the provision of these services is provided by Governments and by commercial banks. Much of the business provided by the private sector (both bank and non-bank) is also underwritten by official government-owned or sponsored trade agencies.

55. There are two principal kinds of trade credit, buyer credits and supplier credits. The credits are made available for periods of from between 30 and 180 days for primary and manufactured goods (known as short-term credits); 1 to 5 years for agricultural and industrial equipment (medium-term); and 5 to 10 years for capital goods such as power station generating equipment, jet airlines and so on (long-term). Short-term credits are generally made available through an instrument known as a letter of credit, which can be drawn on at a correspondent bank. Long-term trade credits often involve more complicated contracts and, because of the large sums involved, as well as other considerations such as the transfer of technology and the importance of the product to the economy of the supplying country, direct participation by Governments. There is a considerable secondary market in trade finance instruments, which may be purchased (à forfait) at a discount if a holder decides to sell.

56. Long-term trade credits are easily documented while short-term trade credits are not. With the increasing speed and efficiency of modern trade many

transactions are rapidly completed and although banks keep detailed records of their activities for all the usual regulatory and legal purposes, the sheer volume of the transactions in international trade makes detailed reporting and documentation at a national or international level extremely difficult.

57. Most of the credit made available to traders with established reputations and strong credit ratings is in the form of revolving credits, where the business is rather more like a stock of debt or simply a credit line on which the customer is entitled to draw, than it is like the traditional form of trade credit finance. This characteristic, which is increasingly true in the developed economies, reflects in some degree a relative decline in importance of trade credit finance as a method for conducting international trade. The main factors contributing to this decline are the emergence of financially secure international corporations and trading companies that are capable of financing their own trading operations; the accumulation of experience and information about the credit worthiness and reliability of traders, which has led to more open-account trading; the general international thrust towards more liberal trade (the lowering or elimination of tariff barriers, faster communication, faster delivery and so on); a general sense in the developed economies that official export credit agencies were really providing domestic industries with disguised subsidies and that this practice (as a part of more liberal trading practices) ought not to be encouraged; and the impact of the world debt crisis, in which a number of official agencies may be compelled to accept considerable losses.

58. These factors have led to a greater interest in the activities of official export credit agencies by intergovernmental organizations. Specifically, member Governments of the Organisation for Economic Co-operation and Development (OECD), anxious to avoid the possibility that such agencies were subsidizing trade by charging artificially low interest rates for trade credit loans, now require OECD to publish minimal interest rate schedules, which official export credit agencies are required to adhere to. The schedules are different for each of three categories: trade with relatively poor countries, trade with intermediate countries (which category includes South Africa) and trade with developed countries.

59. This classification emphasizes a difference in the trading positions occupied by developed, developing and least developed economies, and that occupied by corporations that trade with them. Whereas established corporations trading within developed economies may have no need of traditional forms of trade credit finance and certainly no underlying need to be dependent on official export credit agencies for insurance cover, it is virtually impossible for corporations trading with least developed and other economies to secure any business at all without trade credit arrangements and the support of being "on cover", that is, guaranteed, at an official export credit agency.

B. The provision of trade credits and trade credit insurance to South Africa

60. As a developing economy, South Africa would normally expect to be dependent on trade credit finance for much of its international trade. This is especially true of its imports, approximately 40 per cent of which are capital goods. Moreover,

since trade credits are generally raised in one or other of the participating trading countries and since reasonably accurate (though incomplete) statistics on the aggregates of South Africa's direction of trade are available, it is possible to make educated estimates of both the origins and the quantities of the loans.

61. Direction of trade statistics for various countries and regions of the world that trade with South Africa are set out in table 8.

62. The size of South Africa's trade credit debt can only be estimated. One expert study put outstanding trade credits at the end of 1986 at $US 6.9 billion. 10/ The total fluctuates, however, because traders seek credits on both domestic and international financial markets in response to various factors that include interest and exchange rate movements. A substantial portion of the sharp increase in capital outflow from South Africa in 1988 (R 6.5 billion, more than twice the figure for 1987 (see table 5) appears to have been in response to a change in South African economic policy leading to a sharp reduction in demand for trade credits for imports (see table 10).

63. Although it is not possible to know the full amount of South African trade credit debt, some statistics on export credit agency loans are available. At end September 1989, the Berne Union reported the following information for South Africa's main trading partners: 11/

(a) The export-import bank Hermes (Germany) has the largest total commitments outstanding to South Africa, namely, short-term $US 281.3 million and medium- and long-term $US 2.73 billion;

(b) The United Kingdom's Export Credit Guarantee Department has short-term credit commitments for exports to South Africa of $US 197.7 million and medium- and long-term commitments of $US 2 billion;

(c) France's export credit agency, the Compagnie Française d'Assurance du Commerce Extérieur has $US 1.2 billion in medium- and long-term commitments and $US 178.8 million in short-term commitments;

(d) Japan's Ministry of International Trade and Industry has short-term commitments of $US 69.1 million for exports to South Africa and medium- and long-term credit commitments of $US 251.9 million. It appears that the Government of Japan limits credits to South Africa owing to certain political sensitivities. It is thus possible that the bulk of credit to support Japanese trade with South Africa is provided from internal sources by the Japanese trading companies themselves.

64. South Africa's access to international financial markets is largely confined to short- and some medium-term trade-related credits from official trade financing agencies. There is very little incentive, currently, for the private sector to contribute much in this area of business. The reasons for this situation are set out in section E below. Furthermore, most of the countries that permit their official export credit agencies either to make or to guarantee credits for trade with South Africa impose restrictions of various kinds. These are set out in some detail in sections C and D.

Table 8. South Africa: Foreign trade and main trading partners, 1980-1988

(Millions of United States dollars)

	Exports						Imports					
	1980	1982	1984	1986 a/	1987	1988	1980	1982	1984	1986 a/	1987	1988
Total	25 684	17 647	17 377	19 718	21 603	25 847	18 327	17 026	14 963	11 417	14 126	17 333
United States	2 126	1 220	1 458	1 965	1 272	1 445	2 527	2 484	2 375	1 229	1 281	1 691
Japan	1 551	1 533	1 335	1 826	2 214	1 777	1 669	1 711	1 934	1 270	1 882	2 047
European Community	4 916	3 820	3 264	4 908	5 213	6 720	6 595	6 497	5 882	4 657	5 799	7 301
France	524	415	385	343	530	638	703	708	568	412	467	575
Germany	1 029	785	676	1 059	1 135	1 570	2 399	2 503	2 339	1 951	2 548	3 332
United Kingdom	1 779	1 300	742	1 056	976	1 304	2 242	2 029	1 660	1 279	1 556	1 911
Switzerland	1 597	947	1 171	324	244	473	308	296	265	258	272	320
Asia	680	666	803	1 094	1 304	1 900	460	657	763	604	1 009	1 356
Taiwan, Province of China	b/	172	137	296	437	827	b/	220	269	216	435	626
Africa	1 412	834	616	808	970	1 164	371	305	284	243	291	349
Western hemisphere	370	234	114	147	175	199	166	193	310	148	175	274
Brazil	171	77	35	55	65	79	100	112	139	49	90	178

Source: IMF Direction of Trade Statistics Yearbook, 1986 and 1989. The figures are for the South African Common Customs Area, which includes Botswana, Lesotho, Namibia, South Africa and Swaziland.

a/ South Africa stopped reporting its direction of trade statistics to IMF in 1986. From that year onwards the figures are estimates based primarily on other countries' reports of their own trade with South Africa. A detailed description of how the estimates are derived can be found in the introduction to the IMF Direction of Trade Statistics Yearbook.

b/ Not available.

Table 9. South Africa: External bank claims, December 1985-June 1989 (unadjusted for exchange rate movements)

(Millions of United States dollars)

	December 1985	June 1986	June 1987	December 1987	June 1988	December 1988	June 1989
External bank claims:							
1. Total	17 459	16 725	16 244	16 767	16 052	15 073	14 712
2. Guaranteed	1 996	1 787	1 803	2 224	1 787	1 897	1 373
3. Non-bank trade	1 076	1 113	1 273	1 632	1 475	1 933	1 823
4. Total (1+3)	18 535	17 838	17 517	18 399	17 527	17 006	16 535

Source: OECD and BIS, statistics on external indebtedness: bank and trade-related non-bank external claims on individual borrowing countries and territories, new series. The figures are reported by central banks and official export credit agencies in member countries. The following points should be noted: in some countries, banks whose total external assets and liability are each below a certain minimum cut-off point are not required to report; in some countries, not all of the reporting institutions' external assets are included in the data; and the standard OECD reporting norms may be departed from in two ways: (a) the short-term suppliers' credits data may be incomplete; and (b) data on the timing of shipments, and drawing of export credit lines, may not be available either promptly enough or in sufficient detail for inclusion in the published statistics.

Notes

1. Row 1: These figures are for stocks of debt held by banks, the majority of which is either not trade-related or, (surely a very small proportion) though related to trade, is not guaranteed by official export agencies. It therefore includes the debt subject to periodic rescheduling.

2. Row 2: These figures are those parts of all external bank claims which consist of guaranteed financial trade credits (buyers' credits), which are loans extended by banks to importers abroad (i.e. by, say, a British bank to enable a South African importer to import British products). The guarantees are provided by government agencies in the country of the bank.

3. Row 3: These are guaranteed suppliers' credits, which are credits extended by exporters to importers abroad (i.e. by, say, a company from Germany to a client in South Africa). These are further stocks of debt in addition to external bank claims.

Table 10. Changes in external bank and trade-related non-bank claims, June 1986-June 1989 (adjusted for exchange rate movements)

(Millions of United States dollars)

	June-December 1986	December 1986-June 1987	June-December 1987	December 1987-June 1988	June-December 1988	December 1988-June 1989
External bank claims:						
1. Total	-897	-97	-216	-204	-1 131	-11
2. Guaranteed	-6	-146	239	193	-113	-100
3. Non-bank trade	165	-149	120	327	104	96
4. Total (1+3)	-732	-246	-96	123	-1 027	85

Source: See table 9.

Notes

1. These figures show half-yearly changes in external stocks of South African trade debt. They have been adjusted for exchange rate movements, which make the reduction in external debt less marked.

2. The increase in guaranteed (i.e. trade-related) and non-bank trade debt after June 1987 is an indicator of quite rapid domestic growth in the South African economy in the second half of 1987 and the first quarter of 1988. This development created such a deterioration in the balance of payments on the current account (imports rose by 22.5 per cent in 1988) that the authorities intervened to impose a range of measures, including import surcharges, a new surcharge on fuel oil, a tighter monetary policy and a reduction of the budget deficit. As a result, GDP growth declined sharply. Falling imports meant a reduced demand for trade credits.

65. None the less, statistics collected by OECD and BIS, indicate that South African entities have been successful in attracting limited amounts of new medium- and long-term credit in the period from 1985 to 1989 (see tables 9 and 10).

66. These credits, applied to the purchase of capital equipment, constitute a partial substitute for alternative capital loans. 12/ Since it is practically certain that these loans have not been made available by any institution that has funds caught in the net of the unilateral moratorium of 1985, the probability is that they come either from capital markets outside Europe and North America or from official trade agencies.

67. The question has arisen of whether South Africa's access to trade credits provides relief to the South African authorities in their efforts to meet the international debt obligations incurred under successive rescheduling agreements since 2 September 1985. Stated another way, do trade credits constitute "new money" that can, even partially, substitute for capital inflows of other kinds? An assessment of this question is set out in chapter V.

C. South Africa's main trading partners: access and restrictions

68. As reported in section B, in 1988, the most recent year for which statistics are reasonably complete, the United States of America, the countries of the European Community, and Japan accounted for approximately 55 per cent of South Africa's non-gold exports and for fully 64 per cent of its imports. In addition, Switzerland, the United Kingdom of Great Britain and Northern Ireland and Italy, by together taking approximately 90 per cent of South Africa's gold production, accounted for another 30 per cent of total South African export earnings. 13/

69. It is widely believed that most, if not all, of South Africa's non-gold trade would be seriously disrupted if trade credits and insurance were not available to finance it. 14/ For this reason, opponents of apartheid have recently focused on the availability of trade credit finance with a view to having it reduced, if not eliminated.

70. Since the South African financial crisis of 1985, and in some cases well before it, all of South Africa's major trading partners have placed some restrictions on capital movements into South Africa. In some cases, these restrictions include trade credit finance. The various arrangements that concern trade credits may be summarized as follows.

United States of America

71. The Comprehensive Anti-Apartheid Act of 1986 prohibits new lending by United States financial institutions and citizens to South Africa, but both loans to firms owned by black South Africans and short-term trade credits (defined as for a duration of less than one year) are exempt from this prohibition.

72. The United States public sector trade credit agency, the Export-Import (EXIM) Bank, is prohibited from financing United States exports to the Government of South Africa or its agencies, and may only provide short-term trade finance for South African imports of United States products to South African companies that are either majority-owned by blacks and non-whites or adhere to specified equal-opportunity principles. 15/ In addition, EXIM Bank has placed South Africa off cover for trade, meaning that United States exporters must either insure their credit arrangements in the private sector or assume the risk themselves by advancing credit without insurance cover.

European Community

73. The 12 member States of the European Community introduced a voluntary ban on new medium- and long-term investment in South Africa in 1986 and, with the exception of the United Kingdom, agreed at their summit meeting at Dublin on 22 June 1990 to continue this arrangement for a further six months. However, this prohibition never applied to short- or medium-term trade credit finance. The Government of South Africa excluded official trade agency debt from the unilateral moratorium on debt repayment that it introduced on 2 September 1985. Since then it has continued to service and to repay all of its obligations in this field. Among the European Community members, by far the largest holders of South African trade credit debt are the official agencies of Germany, the United Kingdom and France.

74. Germany has four export credit agencies, two of which provide guarantees and two the actual credits. One of each is in the public sector. At end September 1989, Hermes, the official guarantee agency, was the world's largest holder of official export credit agency South African trade debt paper, though it has a limit of DM 50 million on each individual transaction and agrees to cover sums in excess of DM 20 million only "in exceptional cases". Guarantees may also be provided by the private sector agency, the Treuarbeit. Credits for trade are provided by both the public sector agency, the Kreditanstalt für Wiederaufbau, which is a development bank, and by the AKA-Ausfuhrkredit, which is an organization jointly owned by banks in Germany. South African trade is supported by all of these agencies, with both credits and insurance cover being available, case by case, for up to five years. It is reported that in 1987 the South African Post and Telecommunications Administration was granted loans of DM 32.8 million by the Kreditanstalt für Wiederaufbau. 16/

75. At end September 1989, the United Kingdom Export Credit Guarantee Department reportedly had outstanding short-term credit commitments for exports to South Africa of $US 197.7 million, and medium- and long-term commitments of $US 2 billion. 17/ The Department has short-term credits open, without restriction. Medium- and long-term credits are also open, but with a limit of £10 million on any individual transaction and subject to a total unspecified commitment ceiling.

76. Credits and guarantees through the official agency, the Compagnie Française d'Assurance du Commerce Extérieur, are open case by case, but without limits. At end September 1989, the stock of debt of South Africa held by the Compagnie was: short-term $US 178.8 million and long-term $US 1.2 billion.

Japan

77. In Japan, one official trade credit agency, the Japanese Ministry of International Trade and Industry, provides guarantees, while another, the Export-Import Bank, provides both credits and guarantees. Both treat applications for support of trade with South Africa in the same way as the French agency does: open, case by case, with no publicly stated limit. In the Ministry of International Trade and Industry, the stocks of guaranteed debt were, however, rather lower than those for the European countries referred to above: $US 69.1 million in short-term credits; and $US 251.9 million in medium- and long-term credits at end September 1989. The principal reason for this lower exposure is generally given as Japan's sensitivity to criticisms regarding its trade with South Africa. 18/ However, figures for the Export-Import Bank were not available and the probability is, as Ovenden and Cole point out, that "the volume of insured credits outstanding in Japan is substantial". 19/ Japan's trade with South Africa amounted to $US 2,047 million in exports and $US 1,955 million in imports in 1988, and it is reasonable to assume that a substantial proportion of this trade was transacted on the basis of credit in the normal way. 20/ It is also likely that, as in the United States, the private non-bank sector takes a rather bigger role in supplying trade credit than is generally the case in European countries. These matters are discussed in section E.

D. Other trading partners: access and restrictions

78. In Europe, outside the European Community by far the most important trading partner of South Africa is Switzerland. However, Switzerland's trade with South Africa consists almost exclusively of gold and diamonds, and the provision of banking facilities. Compared with these activities, trade in other commodities is insignificant. However, the official export credit agency, the Export Risiko Garantie, provides short-term trade credit cover without restriction and medium- and long-term cover on a case-by-case basis. In September 1989 the outstanding debt held by the agency reportedly amounted to $US 38.9 million in short-term instruments and $US 257.1 million in medium- and long-term credit.

79. Elsewhere in Europe outside the European Community, restrictions on trade with South Africa mean that trade credit business is virtually non-existent. Finland, Iceland, Norway and Sweden (with Denmark, which also belongs to the European Community) all adhere to the Nordic Programme of Action against Apartheid, promulgated in 1985, which prohibits almost all trade with South Africa. Each of the Nordic countries has also enacted legislation making loans to South African entities illegal. With almost no trade existing between these countries and South Africa, there would be no demand for trade credits and each of these countries is believed to have official export credit exposure to South Africa of less than $US 5 million.

80. Austria has South Africa on cover for trade credit, but limits transactions to a ceiling of $US 4.3 million and a maximum term of 24 months. The Österreichische Kontrollbank, Austria's official trade credit agency, had less than $US 30 million of outstanding credits of all kinds at end September 1989.

81. Outside Europe, Australia, Canada and New Zealand all have South Africa off cover for trade credit and discourage trading links in other ways. They also urge their private sector banking institutions not to make trade credit available for periods longer than 90 days (see chap. II). The official export credit agencies in Australia and New Zealand each hold less than $US 5 million in South African trade credit debt and Canada's Export Development Corporation is believed to have none at all.

82. In Asia, official export credit from Hong Kong is believed to be less than $US 5 million, but similar restraint is not thought to be true of Taiwan, Province of China. Although figures are not available, one recent source quotes officials as stating that "the Export-Import Bank of Taiwan, Province of China, has financial programmes for suppliers and buyers of exports to South Africa just as it does for those of other countries". 21/ Since, in 1988 alone, Taiwan, Province of China, is believed to have imported goods from South Africa worth $US 827 million and exported $US 626 million in return, the outstanding trade credit debt is likely to be considerable. 22/ In Asia, Taiwan, Province of China, is South Africa's second most important trading partner after Japan. A recent study and contemporary reports refer to joint venture investment projects from Taiwan, Province of China, in South Africa. 23/ Though figures for recent years are not available, some increase in trade between South Africa and the Republic of Korea is suggested in international trade statistics for the years 1982 and 1984.

83. Among the other industrializing and trading countries of Asia, Singapore reports no trading ties with South Africa. India, Malaysia and Thailand specifically prohibit trade with South Africa.

84. South Africa's economic relationship with the other States of southern Africa has been defined by one recent expert study as "asymmetric interdependence". 24/ The overall balance-of-payments benefit of this relationship to the South African economy is estimated to have been between $US 1.25 and $1.6 billion per annum for the years of the mid-1980s, the great bulk of this amount coming from a surplus on visible trade. 25/ This figure represents approximately 40 per cent of South Africa's surplus on its current account balance. Most of this trade will have been financed by credits from within South Africa.

E. The private sector

85. Economic sanctions to restrict the flow of goods and commodities may be imposed by Governments and international organizations, but are frequently circumvented by private sector firms eager to maintain or to develop profitable trade.

86. The case of the banking sector merits particular attention. In the wake of South Africa's moratorium on the commercial portion of its international debt in 1985, most international financial markets were closed to South Africa. For several months after the announcement on 2 September 1985 the exclusion included credits for trade purposes. However, because South Africa did not renounce repayment of its debt to official trade agencies and because, as it has been shown,

most of these agencies have kept South Africa on cover, private sector financial institutions were in principle able to return to short- and medium-term trade credit financing. In practice, however, it appears that very little of this business is being done through South Africa's main traditional markets.

87. In the United States the General Accounting Office found that United States banks were "reluctant" to provide credits for trade with South Africa. 26/ The Office's report quotes a survey by the United States Treasury's Office of Foreign Assets Control and other evidence in support of this finding, which is attributed mainly to the lack of Export-Import Bank guarantees; perceived socio-economic risks in South Africa; the increase of United States state and local laws directing investment away from firms doing business with South Africa; increased public awareness of the issue of apartheid; and bankers' sensitivity to debt problems in the context of the world debt crisis.

88. In the European Community the situation is somewhat different. In those countries which undertake most of South Africa's trade with Europe, the private sector is under little pressure from clients to offer trade credit because official export credit agencies are still open to South African business. The private sector is reasonably satisfied with this situation because it can thereby avoid the pressure that their United States counterparts experience from an increasingly aware and articulate public opinion. They can also avoid the pressure from their clients that would flow from the fact that, in large measure, they share United States bankers' pessimistic views about the current climate for business in South Africa. A private survey of major European banking institutions by representatives of one intergovernmental organization found in late 1989 that very little trade credit business was being carried out by the private sector in any of the main European capital markets. It is likely that some new business is being done in the countries of the European Community, but the probability is that it is small in scale; that it is being undertaken in secondary markets by banks with little or no exposure to the 1985 moratorium; and that it is largely to service domestic exporters.

89. Outside of the United States and Western Europe the situation is less clear. It seems reasonable to assume that substantial trade credit business is being undertaken by banks in Taiwan, Province of China, because the volumes of trade between that country and South Africa have grown rather substantially in the 1980s. It has also been reported that Hong Kong banks both provide credit for trade through the crown colony and are active in providing trade finance for business between South-East Asian and South African firms that never itself passes through Hong Kong. 27/ The Japanese authorities are generally believed to restrict the banking sector's contributions to trade finance with South Africa, but the size and competitive ability of the major Japanese corporations and trading companies permit the provision of trade credits from non-bank sources. 28/

90. In sum, however, the quantities of new trade credit being extended to South Africa are probably small. The United States General Accounting Office, relying on data from OECD and BIS, has recently calculated that the total flow of new guaranteed trade-related credits, including government-guaranteed bank credits, from June 1986 up to and including June 1989, was $US 1.066 billion. 29/ The

United Nations has likewise found that, though there has been some increase in lending, with a preference being shown by international banks to lend in United States dollars rather than in their own currencies, the total amounts are small. 30/ The overall stocks of trade debt, though they have increased little, none the less permit South Africa to trade successfully enough to sustain a current account balance-of-payments surplus that permits it to repay debt both outside the moratorium and under the rescheduling agreements. Some reasons for this situation are set out in chapter V.

V. THE EFFECTIVENESS OF THE MEASURES ADOPTED

91. South Africa's ability to engage in international trade has not been seriously inhibited by trade credit restrictions. Four main reasons account for this.

92. Firstly, South Africa's main trading partners in Europe and Japan have continued to keep South Africa on cover at their official trade credit agencies and have kept open the possibility of providing short- and medium-term loans for South African trade and with few restrictions.

93. Secondly, in those developed countries where trade credit restrictions have been imposed (the Nordic countries, Australia, Canada, and New Zealand) the level of trade was rather low, and though there must have been some trading opportunities forgone as a result of the credit impediments, these have not been important enough to affect South Africa's overall trading position.

94. Thirdly, where trade credit restrictions have been applied and the level of trade is significant, trade has been facilitated by other means. For instance, in the United States, in spite of trade credit restrictions, trade has been facilitated by the provision of some small trade credit business that is reportedly granted by at least one bank; by the availability of trade credit facilities elsewhere in the world; and by the ability of the subsidiaries of the United States companies to take advantage of these facilities and the anonymity of international financial markets. 31/ In addition, firms may choose to trade with established South African companies on an open account basis. The opportunity cost to the supplier can be covered by a higher price for the goods being supplied; but this higher price may still be lower than the combined price of the purchase plus trade credit finance would have been, because intermediate service fees have been eliminated.

95. Fourthly, the structure of the South African economy is such as to make it relatively impervious to trade credit restrictions. The export sector is highly corporatized, with a small number of firms operating in an oligopolistic way. As a result of disinvestment by transnational corporations, some of these firms have acquired financial institutions with well-developed correspondent banking connections abroad. They are in a position to supply trade credit finance to their principals and to other domestic clients. Furthermore, many South African firms are the subsidiaries of international corporations or have recently been disinvested in a way that retains their international access to trading agreements and so are in a position to have access to trade credit facilities. South African

firms are themselves increasingly able to go off-shore for trade credit finance. The main developing markets for other manufactured products are the countries of southern Africa and the industrializing countries of Asia. In all of these areas of the economy, the state, domestic financial institutions and the trading corporations and banks of the emerging economies of Asia are all in a position to ensure the availability of export credit finance.

96. As far as imports are concerned, South Africa's main trade is in capital and intermediate goods. As long as trade in these items is not banned by international measures, and as long as suppliers remain confident of being paid, trade credit will continue to be made available, either by official export credit agencies, or through open account trading, or on international financial markets. And, as suggested in a recent study, even if sanctions on the trade sector were to be tightened and more rigorously enforced, South Africa's "access to short-term trade credits will probably improve, since financial sanctions-busting activities is likely to be a profitable business". 32/

97. In assessing the impact of restrictions on the availability of loans and trade credits, it is useful to review a number of studies made in this regard and, more generally, on the impact of economic sanctions. Recent analyses of the effects of international sanctions on the economy of South Africa have pointed out the following: 33/

(a) The first impact of sanctions is on prices: they tend to result in a price increase for imports and a price decline for exports. It has been estimated that the cost of sanctions to South Africa amounts to "several billion dollars annually". 34/ This cost places pressure on the external balance of the current account and increases the rate of inflation;

(b) A second impact is a tendency to distort the domestic allocation of resources. In the energy sector, for instance, costly and inefficient capital-intensive investments can reduce productivity growth and are likely to be a drain on the economy for years to come. 35/ It should be stressed though that in South Africa much of this distortion is produced by apartheid itself, irrespective of sanctions, and is most evident in labour market prices, capital markets, transport and communications infrastructure, and training and education;

(c) A third major impact is on economic opportunity forgone. It is estimated that "real South African GDP would be 20 to 35 per cent higher today than it actually is had South Africa not maintained apartheid and pursued a semi-autarkic strategy. This loss is the cost of continuing an apartheid system and taking measures to build a less dependent economy". 36/ Other studies differ very little in estimating that South African GNP was 45 per cent smaller in 1987 than it would have been had the economy been able to sustain the growth rates that it achieved between 1945 and 1975 through the years from 1975 to 1987. 37/

98. In this context, an international embargo on trade credits for trade with South Africa, though it would not have the effect of preventing trade, would, nevertheless, add to the economic difficulties already evident in the South African economy. It would do so in the following ways:

(a) The relative scarcity of trade credit finance would make it more expensive, leading to higher (and thus less competitive) export prices. To counter this problem, exporters would, at least in the short term, reduce prices by cutting profits. This mechanism jeopardizes future investment from retained earnings, which in the post-war period has been the main source of direct investment in the South African economy;

(b) With the relative scarcity of trade credit finance, far more trade would be conducted on a cash or open account basis. South African authorities would thus have to build up their reserves of foreign exchange in order to meet the demands of cash transactions. To do so, they would need to increase the size of the trade surplus, thereby limiting imports further;

(c) Limiting imports even further will generate greater inflation (higher prices through scarcity); lead to a shortage of capital and intermediate goods that are essential to increasing production, all of which will, in turn, lead to lower rates of growth and higher unemployment;

(d) Further limitations on imports will also stimulate the expansion of import substitution industries (whether the authorities encourage them or not), which may result in further misallocation of scarce investment funds, greater distortion in the allocation of resources generally and thus even lower productivity growth in the medium term.

99. The question has arisen of whether the rescheduling agreements entered into with the South African authorities by international banks have reduced the pressure on the Government of South Africa to embark upon a process of meaningful political reform (see sect. C of chapter III).

100. Opinions vary on this issue. In achieving their objectives of (a) knowing the scale and duration of their debt obligations in the medium term, and (b) smoothing the repayments that are due, year on year, the South African authorities have attempted to bring a measure of stability to the policy-making environment of both the balance of payments and debt management. Certainly the elimination of "bulges" of debt repayment reduces the possibility of one kind of foreign exchange crisis.

101. It is not clear, however, that these developments add up to a reduction in the level of pressure being exerted on South Africa by its external account difficulties. One expert study takes the view that the pressure of debt repayment in the absence of new capital inflows is constant and cumulative, becoming progressively more onerous year by year. 38/ According to this view, the rescheduling agreements have had the effect of sustaining pressure on the South African authorities to pursue political reform. The progress of political dialogue in South Africa over the past months and the Government's declared commitment to a negotiated end to apartheid appear to confirm this analysis.

102. If the effectiveness of this pressure is derived from the fact that South Africa must repay foreign debt in the absence of any significant inflows of capital, can new trade credit finance be employed as a substitute for more conventional lending, thereby reducing the financial pressure for reform?

103. The answer to this question has to be assessed in the light of the following: 39/

(a) The quantities of new money involved are too small to be very significant. The United States General Accounting Office assessment (see sect. E of chapter IV and tables 9 and 10) is that between June 1986 and June 1989 the volume of trade credits available to South Africa increased by $US 1.066 billion;

(b) It is not known what proportion of the new trade credit debt is in short-, medium- or long-term instruments. The Government's preference would certainly be for longer-term instruments, while private sector lenders in the international financial markets would favour short-term ones. Given that the South African foreign exchange crisis of 1985 occurred because of the high volume of short-term debt falling due, it is reasonable to assume that the South African authorities will seek to avoid a repetition of these circumstances. The result is a stand-off. The Government would actively like to expand its stock of trade credit debt, but not by encouraging excessive growth in short-term instruments;

(c) Trade credits are made available for trade purposes and cannot be used as a substitute for other capital requirements. South Africa already had a stock of revolving trade credits adequate for its level of international trade when the financial crisis occurred in 1985. Some growth in exports since then justifies limited growth in trade credit finance, but over the same period economic imperatives have led to a curtailment of imports. South Africa may be at the limit of what it can accomplish with trade credits for capital account balance purposes.

104. Though trade credits cannot serve as a satisfactory substitute for other (and much greater) capital inflows, they can provide some assistance to the authorities in the management of the external account in a situation where reserves are thin. Increased inflows of trade credit finance at times when substantial debt and other payments are due in foreign currency can be balanced by repayment at times when export receipts are maximized and there is a surplus over imports. The relief accorded by trade credit finance in these situations does not seem to be substantial, however, and does little to alter the general external account problem, which is basically structural in nature.

Notes

1/ The panel of eminent persons convened for the second hearings was constituted by Canaan Banana (Chairman), Judith Hart (Co-Chairman), Kamal Hossain (Rapporteur), Abdlatif Al-Hamad, Francis Blanchard, Anatoly Gromyko, Flora MacDonald, Mochtar Kusuma-Atmadja, Edward Seaga, Wole Soyinka and Lowell Weicker.

2/ Transnational Corporations in South Africa, Second United Nations Public Hearings, 1989. Report of the Panel of Eminent Persons, Background Documentation, 1989, Vol. 1, United Nations (New York), 1990. During the second public hearings on Transnational Corporations in South Africa held in 1989, the United Nations Centre on Transnational Corporations published information on South Africa's creditors on a country-by-country basis and E/C.10/1990/L.4.

Notes (continued)

3/ ILO Programme of Action against Apartheid 1988, recommendation 4, paragraph II (2), in Special Report of the Director-General on the application of the Declaration concerning Action against Apartheid in South Africa and Namibia, ILO, Geneva, 1989, pp. 143 and 144.

4/ Stephen R. Lewis Jr., The Economics of Apartheid, Council on Foreign Relations, New York, 1990, pp. 62-72, and appendix table F, p. 178.

5/ Ibid., p. 66.

6/ The fact that the growth performance of the South African economy from 1950 to 1975 was achieved with little in the way of new foreign direct investment does not mean that foreign direct investment may not be required for renewed growth in the future. On the contrary, South Africa has experienced a continuous decline in the productivity of investment since the late 1950s, and there is widespread agreement in South Africa on the need for (although not the form of) structural reform of the economy. See for example Lewis, op. cit., pp. 127-134; Stephen Gelb, "Economic Crisis and Growth Models for the Future", Economic Trends Group, mimeo, Durban, 1990; Ronald W. Bethlehem, "The Need for Change in the South African Economy", South African Chamber of Business, mimeo, Johannesburg, 1990.

7/ A dual exchange rate had first been introduced after the events at Sharpeville in 1960 and it remained in force until 1983, when it was abolished as part of the then Government's attempts at liberal reform of the economy. From 1983 to its re-introduction in 1985, and certainly until the depreciation of late 1984, the absence of a dual rate provided a brief opportunity for transnational corporations to disinvest without incurring serious losses.

8/ See Keith Ovenden and Tony Cole, Apartheid and International Finance: A Programme for Change, Penguin, Melbourne and London, 1989, pp. 75-82.

9/ Lawrence Harris, "South Africa's External Debt Crisis", Third World Quarterly, July 1986, and Ovenden and Cole, op. cit., pp. 75-107.

10/ John E. Lind and David J. Koistinen, Financing South Africa's Foreign Trade, Cannicor Research, San Francisco, March 1988, p. 17.

11/ United States General Accounting Office, South Africa: Relationship with Western Financial Institutions, Washington, D.C., June 1990 (GAO/NSIAD-90-189), pp. 17 and 18.

12/ Ibid., pp. 15 and 16.

13/ The estimate for gold is from Transnational Corporations in South Africa ..., op. cit., p. 112, and Ovenden and Cole, op. cit., pp. 163-183.

Notes (continued)

14/ Transnational Corporations in South Africa ..., op. cit., p. 71; Lind and Koistinen, op. cit.; Alan Hirsch, "Sanctions, Loans, and the South African Economy", in Mark Orkin, ed., Sanctions against Apartheid, Community Agency for Social Enquiry, 1990, pp. 282 and 283; Carolyn Jenkins, "Trade Finance and South Africa's Foreign Debt: Another Pressure Point?", mimeo, University of Natal, 1989, and United States General Accounting Office, op. cit.

15/ Defined as non-segregation of races in all work facilities; equal and fair employment practices; equal pay for equal work; training programmes to prepare non-white employees for supervisory, administrative, clerical and technical jobs; an increase in the number of non-whites in management and supervisory positions; willingness to engage in collective bargaining with labour unions; and improvement in the quality of life for employees in such areas as housing, transportation, schooling, recreation and health facilities. See United States General Accounting Office, op. cit., p. 16.

16/ Transnational Corporations in South Africa ..., op. cit., p. 71.

17/ United States General Accounting Office, op. cit., p. 18.

18/ Ibid.

19/ Ovenden and Cole, op. cit., p. 143.

20/ IMF, Direction of Trade Statistics Yearbook 1989, p. 240.

21/ United States General Accounting Office, op. cit., p. 19.

22/ IMF, op. cit., p. 356. See also table 8.

23/ Ovenden and Cole, op. cit., p. 146, and New York Times, 6 July 1990.

24/ Lewis, op. cit., p. 90.

25/ Ibid., pp. 80-90. The figures shown in table 4.5 on p. 89 are for the member countries of the Southern African Development Co-ordinating Conference, namely, Angola, Botswana, Lesotho, Malawi, Mozambique, Swaziland, The United Republic of Tanzania, Zambia and Zimbabwe.

26/ United States General Accounting Office, op. cit., p. 17.

27/ Ibid., pp. 18 and 19, and Commonwealth Secretariat, South Africa and the International Financial System: Report by an Intergovernmental Group, Toronto, 1988, p. 47.

Notes (continued)

28/ Ovenden and Cole, op. cit., p. 143. They suggest that banks may make working capital available to Japanese companies selling in the South African market, which then enables those companies to extend credit to South African importers. They also draw attention to the Japanese practice of extending trade credit to Japanese shipping companies, with bills falling due on the date the importer is due to settle. In this way, technically, no trade credit has been extended to the importer.

29/ United States General Accounting Office, op. cit., p. 15.

30/ Transnational Corporations in South Africa, op. cit., p. 71.

31/ United States General Accounting Office, op. cit., p. 17.

32/ Lewis, op. cit., p. 139.

33/ See in particular Lewis, op. cit., pp. 97-143 and Charles M. Becker, Trevor Bell, Haider Ali Khan and Patricia S. Pollard, The Impact of Sanctions on South Africa, Part I, The Economy, Investor Responsibility Research Centre, Washington, D.C., March 1990.

34/ Ibid., p. 114.

35/ Becker et al., op. cit., p. 9 et seq. and Lewis, op. cit., pp. 101-108 and 130-131.

36/ Becker et al., op. cit., p. 26.

37/ Lewis, op. cit., p. 127: "The bulk of this difference can be attributed to the economic burdens created by apartheid and the effort to preserve white domination".

38/ Ovenden and Cole, op. cit., pp. 187-192.

39/ United States General Accounting Office, op. cit., pp. 15 and 16; Jenkins, op. cit., p. 20; and Ovenden and Cole, op. cit., pp. 140 and 141.